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Industrial Development Board

Eleventh session

SUMMARY RECORD OF THE 1st MEETING

Held at the Vienna International Centre, Vienna,
on Monday, 28 June 1993, at 10 a.m.

Temporary President: Mr. BALAZS (Hungary)
President: Mrs. MACHADO QUINTELLA (Brazil)

CONTENTS

Agenda item		Paragraphs
1	Opening of the eleventh session	1 - 2
2	Election of officers	3 - 11
3	Adoption of the agenda for the eleventh session	12 - 13
-	Statement by the Director-General	14 - 25
-	Organization of work	26 - 28
5	Annual report of the Director-General for 1992 on the activities of the Organization:	29 - 55
	(a) UNIDO technical cooperation activities in 1992	
	(b) Second Industrial Development Decade for Africa	
	(c) Special Programme for the Industrial Development of Asia and the Pacific	
	(d) Regional Cooperation Programme for the Industrial Recovery of Latin America and the Caribbean	
	(e) Special Programme for Industrial Development in the Arab Countries	
	(f) Industrialization of the least developed countries	
	(g) Technical assistance to the Palestinian people	
	(h) Technical assistance to the South African national liberation movements recognized by the Organization of African Unity	
	(i) Economic and technical cooperation among developing countries	
	(j) Integration of women in industrial development	
	(k) UNIDO environment programme, including follow-up to the United Nations Conference on Environment and Development	
	(l) System of Consultations	
	(m) Development and transfer of technology	
	(n) Industrial investment promotion	
	(o) Evaluation of UNIDO programmes and activities	

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The meeting was called to order at 10.20 a.m.

OPENING OF THE ELEVENTH SESSION

1. The TEMPORARY PRESIDENT declared open the eleventh session of the Industrial Development Board.

2. His presidency had been marked by the unusual situation created by the resignation of the previous Director-General, which had precipitated a selection process leading to the election of Mr. de Maria y Campos, whom he congratulated. He felt sure that the new incumbent would be instrumental in starting a fresh dialogue between Member States and the Secretariat. He himself had been encouraged by the cooperative spirit that had presided over the informal consultations recently held to select relative priorities within the existing medium-term plan. The present session of the Board could renew that spirit by taking the decisions needed for further constructive dialogue between Member States and UNIDO and for establishing a framework within which the Director-General could present his own views on future priorities, structures and financial resources. As always, success in decision-making would depend on the Board's willingness to face the Organization's present weaknesses, which was no easy task, but the final evaluation of UNIDO's successes and failures would lie with those who offered and benefited from its services. His impression as outgoing President of the Board was that its members were ready to reform the Organization so that it could contribute more effectively to the prosperity of the developing countries.

ELECTION OF OFFICERS

3. The TEMPORARY PRESIDENT said that he had received the following nominations: Mrs. Machado Quintella (Brazil) for the post of President; Mr. Yimer (Ethiopia), Viscount G. Vilain XIIII (Belgium) and Mr. Bakshi (India) for the posts of Vice-President; and Mr. Tchoulkov (Russian Federation) for the post of Rapporteur.

4. The candidates were elected by acclamation.

5. The TEMPORARY PRESIDENT congratulated the new President and other members of the Bureau and wished them every success in their work.

6. Mr. GUTIERREZ (Chile), speaking on behalf of the Latin American and Caribbean countries, thanked the outgoing President and Bureau for their achievements during a difficult period and congratulated the new President on her election. It was particularly gratifying to note that the new Director-General also came from a country in the Latin American and Caribbean Group. Under such auspicious circumstances he felt sure that UNIDO could face the future with confidence.

7. The President took the Chair.

8. The PRESIDENT thanked the Board for electing her and in particular the Latin American and Caribbean countries for nominating her as their candidate for the presidency. The new Director-General, also from Latin America, had already begun to take steps to revitalize UNIDO. She praised the outgoing President and Bureau for their work in an eventful period.

9. At a time of radical political and economic change, the whole United Nations system needed to be restructured, but for the Organization that should not mean a departure from its original purpose, which was more valid than ever. The Lima Declaration and Plan of Action had provided that by the year 2000 25 per cent of world industrial output should be generated in the developing countries; at present they accounted for no more than 15 per cent. Although several reasons could be adduced for the target being so far off, the important consideration was to work still harder to promote industrialization in the developing world and to focus attention on the least developed countries. UNIDO's activities should concentrate on technical cooperation in industry and the provision of industrial policy advice, primarily in collaboration with governments and institutions in order to achieve a multiplier and catalytic effect.

10. The Organization's role was not to compete with private business in world markets but to suggest to interested governments, institutions and enterprises the technology and equipment which offered the most favourable cost/benefit ratio. To that end it must constantly improve its expertise in industrial sectors, regions and countries. It should work in close coordination with other international institutions, taking care to avoid duplication and to preserve its raison d'être. Its action must at all times be transparent, which implied the need for improvement in its evaluation procedures. To help the developing countries enhance their industrial competitiveness, UNIDO should play an important part in developing managerial skills and training human resources. Small and medium-sized industries should be a priority client in that process. In essence, efficiency was the rational application of scarce resources in order to obtain the best possible results. UNIDO should therefore seek ways of improving the qualifications of its staff and finding the best possible candidates for posts in the field and at Headquarters. Priority should also be given to economic and technical cooperation among the developing countries, since it helped to promote the technological capacity of the supplier while at the same time improving industry in the recipient country at relatively low cost.

11. Those were the areas of activity on which she believed the Organization should concentrate. It had to become a modern and efficient institution, flexible enough to adapt itself to changing circumstances and an increased demand for its services and yet continuing to fulfil its fundamental mandate.

ADOPTION OF THE AGENDA FOR THE ELEVENTH SESSION (IDB.11/1)

12. The PRESIDENT drew the Board's attention to the provisional agenda (IDB.11/1). It contained the items approved at the tenth session and also three supplementary items, namely items 10, 13 and 17. She understood there was general agreement that they should be included.

13. The provisional agenda in document IDB.11/1 was adopted.

STATEMENT BY THE DIRECTOR-GENERAL

14. Mr. DE MARIA Y CAMPOS (Director-General) welcomed representatives to the eleventh session of the Board and to the resumed ninth session of the Programme and Budget Committee. He congratulated the President on her election and thanked the outgoing President for his stewardship, and in particular his management of the informal consultations which had preceded the present session. His statement would focus on the Organization's current and prospective financial situation and on the Secretariat's initial efforts to respond to Member States' desire for major changes in UNIDO's priorities and structure.

15. The broad economic context for the Organization's work in 1992 was outlined in the opening chapter of the Annual Report of UNIDO, 1992, which showed that the developing countries, apart from those in the Africa region, had recorded modest to good industrial growth rates. Nevertheless, efforts to secure the benefits of economic reform and structural adjustment had been frustrated and world manufacturing in 1992 as a whole had registered negative growth, a situation which looked like being repeated in 1993. The recession in the developed countries, together with the calls made on them for funds for greatly increased United Nations peace-keeping work, had resulted in reductions in their contributions to UNDP and other voluntary funds. He reiterated his conviction that, while peace-keeping operations were often a necessary condition for economic recovery, much of the social conflict and political instability which prompted emergency relief and peace-keeping interventions stemmed from the absence of economic and social development.

16. In 1992, the first transitional year for the UNDP successor arrangements, the emphasis on national execution, as well as underperformance in operations using the new mechanism, had resulted in a considerable reduction in UNDP-funded projects for all agencies. UNIDO, with its greater dependence on UNDP as a source of funding, had been hit relatively hard. Implementation of UNDP projects had dropped from $76 million in 1991 to $57 million in 1992 and overall delivery of technical assistance by 8 per cent over the same period. In conjunction with previous overestimates of operational budget income, support cost earnings had fallen below actual expenditures.

17. Building on its experience with the World Bank, where projects were being undertaken with the aid of otherwise dormant credit lines, UNIDO was exploring similar mechanisms with other development banks. In addition to traditional donors and their official aid departments, the Organization was beginning to use sources of funding and lines of credit which were available for special purposes, such as environmental protection, women in industry and the industrial recovery of Eastern Europe and the countries of the Commonwealth of Independent States. The $500,000 received in the current year under the Montreal Protocol on Substances that Deplete the Ozone Layer would, it was hoped, be a precursor to accessing funds amounting to as much as $70 million between 1994 and 1996. Primary approval had been received for a $6 million project from the Global Environment Facility and plans for collaboration with the United Nations International Drug Control Programme were being finalized.

18. Another cause for optimism was the continued rise in the number and value of investment projects successfully promoted by UNIDO - nearly 200 in 1992. Those projects, if implemented, could provide nearly $1.5 billion of new investment for the countries involved. UNIDO's Investment Promotion Offices, a further eight of which were under active negotiation, played a major role in that process. It was encouraging too that the rate of collection of assessed contributions under the regular budget was the best since UNIDO had become a specialized agency. He particularly welcomed the recent receipt of partial payments from the Russian Federation and Ukraine. He also warmly welcomed to membership four new States - Tajikistan, Kyrgyzstan, the Republic of Moldova and the Former Yugoslav Republic of Macedonia. Delays in receipt of payments from Member States nevertheless continued to complicate UNIDO's cash flow and project management and he appealed urgently to the States concerned to pay their assessed contributions on time and in full.

19. The developments in the regular budget had permitted the partial release of the 15 per cent appropriation reserve withheld in accordance with General Conference resolution GC.4/Res.27, but measures to control administrative and general operating costs and expenditure on travel and consultants would be maintained in order to achieve the objective of stabilizing the financial situation of UNIDO. The operational budget deficit, on the other hand, continued to grow. Technical cooperation activities, and the support cost income derived from them, had declined further, so that despite inordinately high post vacancy factors the Organization's reserves were being severely depleted. The estimated balance of those reserves at the end of the current year was such that the deficit could not be supported into 1994. The need to restore reserves and make provision for exchange rate fluctuations was reflected in the significantly lower level of expenditures under the operational budget proposed in the latest programme and budgets for the following biennium and the recently announced policy for reassignments, abolition of posts and staff reductions.

20. It was the need for financial stability which had led the Programme and Budget Committee, at its ninth session, to request further changes in the programme and budgets for 1994-1995. The revised resource requirements were just under $197 million for the regular budget and just over $35 million for the operational budget. Those figures reflected the Committee's three specific requests: a revaluation of the 1992-1993 budget, at 1993 rates, in the amount of at least $1.5 million; budget resource reductions of $3 million; and a downward adjustment of the inflation adjustment for 1994-1995 by an amount of over $4.7 million. The total downward adjustment of over $9 million represented a real decrease of almost $3 million in the core funding on which UNIDO depended for delivering services and technical assistance.

21. The operational budget was now estimated at just over $35 million - a 30 per cent reduction in purchasing power compared with the current biennium - in order to reflect the delay in establishing successor arrangements for agency support costs. The estimates were prudent and realistic. The Industrial Development Fund was expected to show steady growth, while trust funds

and other activities should increase through identification of new donors and adoption of innovative approaches. Estimated income of some $40 million for the operational budget would leave a $5 million margin over expenditure from which to restore reserves and accommodate exchange rate fluctuations. In proposing the adjustments he had mentioned, the overriding principle had been to effect savings without jeopardizing the Organization's technical capacity, in other words by minimizing administrative and support expenses and coordinating activities. Management norms had been introduced so as to permit the redeployment and reduction of General Service staff. Greater collaboration between divisions and departments, for example through the use for limited periods of staff experts instead of consultants, should achieve savings as well.

22. Resources had been reallocated in both the regular and the operational budgets. Some regular budget resources had been transferred from administrative support to substantive activities. Certain activities financed from the regular budget had been reduced, releasing resources for other areas of substantive activity. The reduction in operational budget resources mainly affected administrative support. The revised requirements were within the recommended ceiling and expected income for the biennium 1994-1995. He hoped they would be approved by both the Committee and the Board as a framework for short-term financial flexibility and a medium-term financial foundation for the restructuring of the Organization.

23. The modernization, organizational restructuring and staffing of UNIDO were intended to restore the confidence of Member States in the Organization. Once it had adjusted to constraints on core funding it could function as a true centre of excellence for industrial development, attractive to donors and beneficiaries alike. The immediate task was adaptation to the realities of the reduced operational and regular budgets. In view of the continuing negative cash flow, early action was needed to lower personnel costs. The policy for reassignment of staff, abolition of posts and staff reductions was intended to achieve significant staff savings, through voluntary measures, restrictions on recruitment, natural attrition, expiration of fixed-term contracts and termination of contracts. Resources would be made available for training reassigned staff. He hoped that the process would not jeopardize the Organization's basic capacity to comply with its mandate.

24. A three-pronged strategy was being followed in order to effect the medium-term changes expected by Member States with regard to new priorities and organizational structures. Firstly, a task force, reflecting a balance of regional and departmental interests and benefiting from inputs from the staff through a Staff Council representative, had been established. It had assessed the emerging demand for UNIDO services, the priority themes of interest to industrial decision-makers and the areas of consequent comparative advantage for UNIDO over other agencies. It had also identified six broad objectives for future UNIDO services to developing countries in relation to the existing medium-term plan: promoting self-sustaining industrial growth through enhanced domestic capacities, with emphasis on the private sector; creating and strengthening industry-related employment, particularly through small- and medium-scale industry, as a means to equitable development; development of human resources for industry; promoting environmentally sustainable industrial development; strengthening international competitiveness; and fostering international industrial cooperation, particularly in investment and technology. Secondly, a more precise demand pattern for UNIDO services was being sought through regional and subregional discussions with Member States. The third and key element would be the guidance given to the Secretariat by Member States, during the current session of the Board, on agenda items 4, 7, 11 and 14. The Board's decisions on those items would shape the proposals for structural reform which he expected to have ready for consideration by the autumn.

25. Final approval of the medium-term changes in UNIDO's priorities, structure and procedures would be one of the main items on the agenda of the fifth session of the General Conference. The Conference would take place at Yaoundé on 6-10 December 1993 and Cameroon's capacity to support it had been confirmed. One million pounds had been received for the Conference from the Government of Cameroon in accordance with its contract with UNIDO. He invited Member States to formulate a Yaoundé Declaration to serve as a platform for future actions, and particularly for the mobilization of ideas and resources for industrialization in developing countries. The world and the tasks of development were very different in the 1990s from what they had been in the 1960s and 1970s, when UNIDO had been conceived and developed. It was not yet fully understood what kind of organization UNIDO should be in order to meet that situation. The Secretariat sought the active help of Member States in answering the question. Yaoundé would be the start of a new UNIDO as an effective organization at the service of developing countries and a centre of excellence for industrial development for the world as a whole.

ORGANIZATION OF WORK

26. The PRESIDENT suggested that, in order to achieve economies and ensure the effective utilization of conference-servicing resources, the Board might wish to suspend the quorum requirement laid down in rule 32 of the rules of procedure, as it had done at previous sessions. Under rule 80 of the rules of procedure, that decision could take effect immediately, without the prescribed 24 hours' notice, if no member objected. If she heard no objection, she would take it that the Board wished to suspend, for its eleventh session only, and with immediate effect, rule 32 of the rules of procedure on the understanding that the measure would apply only to meetings at which no substantive decision was to be taken.

27. It was so decided.

28. The PRESIDENT reminded the Board of the recommendations for the conduct of business and rationalization of proceedings made by the Board at its fifth session in decision IDB.5/Dec.46.

ANNUAL REPORT OF THE DIRECTOR-GENERAL FOR 1992 ON THE ACTIVITIES OF THE ORGANIZATION:

(a) UNIDO TECHNICAL COOPERATION ACTIVITIES IN 1992 (IDB.11/10, chaps. III and V; IDB.11/11, chap. II; IDB.11/CRP.2);

(b) SECOND INDUSTRIAL DEVELOPMENT DECADE FOR AFRICA (IDB.11/10, chap. III.B, paras. 47-55; IDB.11/11, chap. III);

(c) SPECIAL PROGRAMME FOR THE INDUSTRIAL DEVELOPMENT OF ASIA AND THE PACIFIC (IDB.11/10, chap. III, paras. 88-92; IDB.11/11, chap. IV);

(d) REGIONAL COOPERATION PROGRAMME FOR THE INDUSTRIAL RECOVERY OF LATIN AMERICA AND THE CARIBBEAN (IDB.10/18, chap. I; IDB.11/11, chap. V; IDB.11/10, chap. III, para. 109);

(e) SPECIAL PROGRAMME FOR INDUSTRIAL DEVELOPMENT IN THE ARAB COUNTRIES (IDB.11/10, chap. III, para. 84; IDB.11/11, chap. VI);

(f) INDUSTRIALIZATION OF THE LEAST DEVELOPED COUNTRIES (IDB.11/10, chap. III, paras. 56-62; IBD.11/11, chap. VII);

(g) TECHNICAL ASSISTANCE TO THE PALESTINIAN PEOPLE (IDB.11/10, chap. III, para. 86; IDB.11/11, chap. VIII);

(h) TECHNICAL ASSISTANCE TO THE SOUTH AFRICAN NATIONAL LIBERATION MOVEMENTS RECOGNIZED BY THE ORGANIZATION OF AFRICAN UNITY (IDB.11/11, chap. IX);

(i) ECONOMIC AND TECHNICAL COOPERATION AMONG DEVELOPING COUNTRIES (IDB/11/10, chap. III, paras. 22-29; IDB.11/11, chap. X);

(j) INTEGRATION OF WOMEN IN INDUSTRIAL DEVELOPMENT (IDB.11/10, chap. III, paras. 30-37; IDB.11/11, chap. XI);

(k) UNIDO ENVIRONMENT PROGRAMME, INCLUDING FOLLOW-UP TO THE UNITED NATIONS CONFERENCE ON ENVIRONMENT AND DEVELOPMENT (IDB.11/11, chap. XII);

(l) SYSTEM OF CONSULTATIONS (IDB.11/10, chap. IV.B; IDB.11/11, chap. XIII; ID/380, ID/385; IDB.11/17);

(m) DEVELOPMENT AND TRANSFER OF TECHNOLOGY (IDB.11/10, chap. IV.C; IDB.11/11, chap. XIV);

(n) INDUSTRIAL INVESTMENT PROMOTION (IDB.11/10, chap. IV.A; IDB.11/11, chap. XV);

(o) EVALUATION OF UNIDO PROGRAMMES AND ACTIVITIES (IDB.11/10, chap. II, paras. 25-42; IDB.11/11, chap. XVI)

29. The PRESIDENT reminded the Board that the debate was expected to cover all of sub-items (a) to (o).

30. Mr. DE MARIA Y CAMPOS (Director-General) drew attention to the progress report in document IDB.11/11, which constituted an update to the annual report itself (IDB.11/10). The environment programme had been revised to take account of the recommendations and guidelines of the United Nations Conference on Environment and Development and of the UNIDO 1991 Conference on Ecologically Sustainable Industrial Development. UNIDO was an active partner in shaping the UNDP Capacity 21 programme and had secured its status as the fourth executing agency for the Multilateral Fund for Implementation of the Montreal Protocol. During the previous year the Protocol had provided $500,000 for pre-investment studies in Brazil, China, Egypt, the Islamic Republic of Iran and the Syrian Arab Republic.

31. The System of Consultations had shortened the duration of its meetings and had adopted other measures to attract greater participation by industry. The results of those steps, introduced at two Consultations the previous year, were being evaluated and further refinements were under consideration. With the aim of helping to develop technological competence in developing countries, UNIDO continued to promote the International Centre for Genetic Engineering and Biotechnology (ICGEB). Already the purveyor of its own technology to developing-country manufacturers, ICGEB was expected to be a fully autonomous international organization by the end of 1993. Both developed and developing countries showed interest in similar centres in fields such as new and renewable energy resources, new materials, and advances in manufacturing. An electronic network was being established to improve coordination of investment promotion activities between UNIDO's Investment Promotion Service offices, focal points in developing countries and Headquarters.

32. The annual report (IDB.11/10) was both a reference document and a performance report, summarizing outputs and achievements in tabular form in its appendices and presenting significant performance indicators that compared the year's achievement with the planned target for the biennium. As far as possible, descriptions of activities were cross-referenced with the appropriate major programmes and subprogrammes in the programme and budgets for the 1992-1993 biennium. Where achievement was lower than that planned for the year, explanations were provided. The progress report on specific activities (IDB.11/11) brought together for the first time all information on various agenda items which updated or supplemented what was provided in the Annual Report, thereby considerably reducing the number of documents to be distributed at the session.

33. Mr. KELLAND (Observer for Denmark), speaking on behalf of the European Community and its 12 member States, noted that the annual report (IDB.11/10) was significantly longer than the corresponding 1991 report. The superabundance of activities which it described showed clearly that UNIDO had no real priorities. Future annual reports should be shorter and more concise; as suggested on previous occasions, they should begin with a brief preface summarizing the past year's activities and outlining the specific aims and strategies for the forthcoming year.

34. Both the annual report and the progress report on specific activities (IDB.11/11) provided valuable information on the economic and political changes faced by UNIDO over the previous year and

on its attempts to adapt to them. He particularly noted its response to Agenda 21 and its efforts to secure extrabudgetary contributions for its environment programme. Cooperation with the World Bank should be pursued further. The European Community and its members appreciated UNIDO's increasing involvement with the development of the private sector.

35. It was gratifying that UNIDO was fully cognizant of the implications for the specialized agencies of the debate on institutional reform which was taking place within the United Nations system as a whole, and aware too of the need for improved economy and efficiency. He hoped that under its new leadership UNIDO would find the necessary responses to those developments and translate them into viable proposals for reforms. The Community fully supported UNIDO's action to enhance programme and project quality, through adoption of the logical framework approach and an objective-oriented planning method for project design, and to improve staff training. The Organization would obviously be able to do more if more resources were at its disposal, but the main task was to optimize the use of those which it actually had. The failure of so many Member States to meet their obligations in a timely fashion led inevitably to a real decline in UNIDO's delivery of projects and programmes in the field.

36. The members of the European Community noted with considerable concern that overall delivery and project approvals had once again decreased, a decline only marginally alleviated by an increase in investment-related activities. The Community hoped that downward trend would soon be reversed, following the adoption of a realistic programme and budget for the next biennium and the reforms undertaken by the new leadership. The members of the Community welcomed the increasing recognition by the Secretariat of the need for competent, efficient and speedy auditing, appraisal and evaluation. Those were areas which should suffer as little as possible from lack of staff and financial resources and in which sound legal advice was important.

37. The European Community urged the Organization to pursue its efforts to strengthen the energy capacity of developing countries, particularly through regional programmes. Given that less than 1 per cent of the world's overall funds for development cooperation was channelled through UNIDO, too much must not be demanded of it. All the same, in the long run a reformed and revitalized UNIDO should be able to attract more of those funds for its operations, especially in the least developed countries.

38. It was encouraging that the Organization, in close cooperation with the United Nations International Drug Control Programme, had already moved towards implementing the system-wide action plan and establishing agency-specific plans for drug abuse control activities. In view of General Assembly resolution 47/100, those concerns must be reflected in the work of UNIDO's governing bodies.

39. The members of the Community regretted that the potential of economic and technical cooperation among developing countries was only partially recognized and exploited by UNIDO. Its effectiveness depended, of course, on the support of governmental authorities in those countries.

40. The Organization must continue to enhance the efficiency and impact of the System of Consultations in order to make it a worthwhile contributor to the industrialization of developing countries. The recommendations of the relevant in-depth evaluation should be implemented. The reduction in the duration of meetings, efforts to ensure the active participation of industrial partners, and close cooperation with operative units in the Secretariat concerned with investment promotion and environmental coordination were steps in the right direction. The enhanced cooperation with other organizations in the United Nations system was also welcome. The efficiency of Consultations would be greatly improved if they were held in the regions concerned. The European Community urged the Director-General, in pursuing the reform process, to re-examine the System of Consultations in order to ensure that it met present-day development needs and was cost-effective.

41. The members of the Community appreciated the growing role assumed by technology transfer in many of UNIDO's technical cooperation projects and eagerly awaited the evolution of the new concept of appropriate technology for sustainable development. In view of the breadth of the issues associated with technology transfer, it was imperative that the Organization should approach the matter selectively.

42. Last but not least, the European Community appreciated the progress made by UNIDO in involving women in any industrial development project as a matter of course. Their participation was an essential factor for achieving sustainable development and was crucial for the implementation of Agenda 21. He welcomed the information in document IDB.11/11 on progress in increasing women's representation in the Secretariat and hoped that Member States would react positively to its appeal to Governments to propose additional and well-qualified women candidates, particularly for senior posts.

43. Mr. HELLER (Mexico) welcomed the trend towards greater clarity in the description of UNIDO's activities that was reflected in the Director-General's report (IDB.11/10). The annual report should include an evaluation of the impact of technical cooperation projects on recipient countries, not only in quantitative terms but also from the qualitative aspect of their contribution to industrialization.

44. His delegation noted with satisfaction the 17.3 per cent increase in technical cooperation activities for Latin America and the Caribbean, despite the disturbing reduction in the resources available for technical cooperation as a whole. His Government shared the view that the importance, cost-efficiency and sustainability of technical cooperation projects would benefit from the development of programme frameworks based on the priorities of the medium-term plan, on the formulation of national strategies in cooperation with recipient countries and on the establishment of a management system for the programme and project cycle that would clearly define responsibilities, including the functions of field representatives.

45. UNIDO should intensify its efforts in the field of energy in order to comply with Board decision IDB.10/Dec.2, particularly with regard to

appropriate access by developing countries to new and non-polluting energy technologies.

46. With regard to the Regional Cooperation Programme for the Industrial Recovery of Latin America and the Caribbean, his delegation noted with concern that only two of the five projects identified by the General Conference in 1989 were fully operational; two more were being reformulated and the financing of the fifth was being negotiated, while Central America and the Caribbean had received no major benefits. He hoped that the project cycle would be completed and that the programmes on new materials and training and on small and medium-sized industries would soon commence.

47. His delegation believed that UNIDO's area of competence and priorities with regard to environmental matters should be defined clearly, regard being had to its role as coordinator for the industrial development activities of the United Nations system and the need to avoid duplication and waste of resources. According to Agenda 21, UNIDO's environmental activities should include cooperation and technical assistance in technology transfer and the promotion of favourable trade relations, in cooperation with other international organizations, and the strengthening of the Organization's capacity for disseminating information on clean technologies through the expansion of existing databases.

48. In matters of development and technology transfer it was essential to take into account the scientific and technological progress achieved in developing countries. UNIDO should therefore consider the following possibilities: increasing the flow of technology to developing countries on preferential terms and without conditions; development and utilization of the scientific and technical capacity of developing countries by training scientists and engineers and upgrading national institutions; and the establishment of efficient technical management in research institutes, universities and production enterprises in order to enhance competitiveness.

49. He was gratified at UNIDO's efforts to promote a portfolio of investment projects in Mexico, among other things through action by the Investment Promotion Services, and at the formulation of an investment programme at national level that was intended to consolidate technical cooperation for the installation of IMPRIS projects and training related to the PROPSPIN information system.

50. Mr. BAKSHI (India) generally endorsed the approach to UNIDO's energy activities outlined in paragraph 3 of the progress report (IDB.11/11). India had opened up the power generation sector to private investors and looked forward to increased cooperation with UNIDO in that field. The Organization must strengthen its cooperation with national and international institutions and devote attention to energy conservation and audit and the exploitation of new and renewable sources of energy.

51. He welcomed UNIDO's efforts to improve the quality of its technical cooperation and looked forward to receiving a more detailed report on the subject. Weaknesses in evaluation could be dealt with by providing appropriate mechanisms and procedures at the project approval stage. He felt that, as a result of economic reforms carried out by many Asian and Pacific countries, good prospects existed in the region for strong growth in gross domestic product, industrial output, intraregional trade and foreign investment. His Government was strongly committed to exploiting the full potential of economic and technical cooperation between developing countries and had invited UNIDO to cooperate in a governmental programme for that purpose. India would be hosting a summit meeting of 15 developing countries for the implementation of South-South cooperation projects. UNIDO should follow the approach adopted by the Food and Agriculture Organization of the United Nations, with UNDP support, of collecting data on needs and capabilities in industry from developing countries in order to permit specific activities to be worked out.

52. He was disappointed to note the 40 per cent decrease in the share of contracts for goods and services from developing countries that had occurred over a single year and the fact that firms from developing countries represented only 13 per cent of total contracts. To remedy that situation, the roster of vendors should be revised and procurement notices for goods and services should be sent to Permanent Missions of developing countries at least eight weeks in advance of the bids in question.

53. He commended UNIDO's efforts to integrate women in industrial development. UNIDO should study the impact on women in the industrial sector of factors such as structural adjustment, external debt and trade barriers. He endorsed the findings of the report with regard to the beneficial effect which participation by women had on the quality of life; Indian experience had certainly borne out those findings. UNIDO should focus its attention on industries that had high potential for the employment of women, and in particular on the role of women's cooperatives in industry.

54. In the follow-up to the United Nations Conference on Environment and Development, UNIDO should provide assistance in pollution control and reduction, recycling of wastes, hazardous waste management and the phasing-out of CFCs. It should also participate fully in the activities of the Interagency Committee on Sustainable Development and the Commission on Sustainable Development and in work on chemical safety. In order to assist developing countries in acquiring technology on the best possible terms, full use should be made of the work of bodies such as the World Intellectual Property Organization and UNCTAD. UNIDO should study specific aspects of constraints in technology transfer and intellectual property rights that might hamper technology transfer to developing countries. He endorsed UNIDO's approach to assistance in technology adaptation and assimilation. In view of the success of TECHMART 92, his Government would stage TECHMART 93 in November 1993 and called for support for it from all quarters. The Organization should closely watch scientific developments that had opened up possibilities for the production and use of new materials.

55. He urged all Governments and donors to support fully the work of the International Centre for Genetic Engineering and Biotechnology in view of its impact in areas such as food, agriculture, health and energy in developing countries. His delegation supported UNIDO's efforts to strengthen the Industrial Investment Promotion network. His Government hoped soon to finalize arrangements for a major investment forum in India in early 1994.

The meeting rose at 12.10 p.m.

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Eleventh session

SUMMARY RECORD OF THE 2nd MEETING

Held at the Vienna International Centre, Vienna,
on Tuesday, 29 June 1993, at 10 a.m.

President: Mrs. MACHADO QUINTELLA (Brazil)
later: Mr. BAKSHI (India)

CONTENTS

Agenda item		Paragraphs
-	Organization of work	1 - 2
5	Annual report of the Director-General for 1992 on the activities of the Organization (continued)	3 - 76

The meeting was called to order at 10.20 a.m.

ORGANIZATION OF WORK

1. The PRESIDENT announced that the Bureau had recommended the establishment of informal in-session consultations in order to facilitate the process of reaching a consensus and drafting decisions on agenda items. All members of the Board were urged to participate in the consultations. The Bureau had also recommended that Viscount G. Vilain XIIII should chair the consultations in his capacity as a Vice-President of the Board. Draft decisions would not be discussed in consultations until after the end of the debate on the subject in question in plenary meeting. She asked the Board if it wished to adopt the procedure recommended by the Bureau.

2. It was so decided.

ANNUAL REPORT OF THE DIRECTOR-GENERAL FOR 1992 ON THE ACTIVITIES OF THE ORGANIZATION (continued) (IDB.11/10, IDB.11/11, IDB.11/17, IDB.11/CRP.1, IDB.11/CRP.2; IDB.10/18; ID/380, ID/385; CAMI.11/4)

3. Mr. AWEIDAH (Observer for Palestine) said that the end of East-West confrontation had ushered in a new era of international cooperation, making it time for Israel to withdraw from the Palestinian and Arab territories so that the Palestinian people could exercise their legitimate national right to self-determination and the establishment of an independent State. Economic and social conditions in occupied Palestinian territory had deteriorated gravely. Israel had expropriated some 60 per cent of the land in the West Bank and the Gaza Strip and controlled 85 per cent of their water resources. It had continued to build settlements in the occupied territories, an act condemned by the international community as an impediment to peace. In the process of gaining control of the Palestinian economy, Israel was taxing the occupied territories heavily, depriving them of financial institutions and obstructing imports and exports, as a result of which unemployment had risen to over 54 per cent. The situation had been aggravated by the recent sealing-off and division of the occupied territories and the isolation of various districts from one another, hampering trade and movement between the areas concerned and, in the Gaza Strip, even creating hunger.

4. Industry in occupied Palestinian territory remained marginal, accounting for no more than

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9 per cent of the gross domestic product; most of it consisted of tiny enterprises and small family workshops. The fact that less than 14 per cent of the workforce was employed in industry was a measure of Israeli obstruction of Palestinian attempts to increase production and thereby create jobs. Palestinian industry, already heavily taxed, lacked national funding institutions and an adequate infrastructure, in addition to which the flooding of the Palestinian market with Israeli goods deprived Palestinian products of their competitive edge. The consequent suffering of the Palestinian people had given rise to a wave of sympathy and support from the international community, whose assistance was deeply appreciated by his delegation.

5. He thanked UNIDO for the technical assistance provided to the Palestinian people, and in particular the Government of Japan for its funding of the training project for entre- preneurs of small industries. The Palestine Liberation Organization (PLO) appealed to the international community to do everything possible to alleviate the suffering of the Palestinian people and enable them to rebuild the national institutions which had been destroyed by the occupation. He urged the Director-General to establish an economic unit for Palestine, in accordance with Industrial Development Board decision IDB.7/Dec.17; until that unit existed, he hoped that the work of the focal point for UNIDO assistance to the Palestinian people would expand, thus allowing them to benefit better from UNIDO expertise in training and the preparation of studies, plans and programmes for industrial development in Palestinian territory.

6. He reiterated his thanks to all the countries and international and regional organizations which helped the Palestinian people, in particular the countries of the European Community, Japan, Sweden, Canada, Switzerland and Austria. The most valuable assistance which the Palestinian people could receive was that which would help them to end the occupation and establish an independent State on their national territory.

7. Mr. NEGRU (Romania) commended the annual report of UNIDO for 1992. Although UNIDO's capacity to improve its performance had been adversely affected by the prolonged recession in developed countries and the collapse of the centrally-planned economic system of the former socialist countries, the Organization had made sustained efforts to promote technical assistance projects for the benefit of Central and Eastern European countries.

8. A number of successful projects of the Joint UNIDO-Romania Centre had been completed, including seminars on cooperation among developing countries in the petrochemical industry and on industrial investment project appraisal and the evaluation of the assets of public enterprises. A workshop and software demonstration on risk management for complex industrial areas, organized jointly by IAEA and UNIDO, had dealt with the environmental problems of a highly polluted area in Romania. Romanian specialists had also participated in a number of workshops and conferences organized by UNIDO. Larger regional UNIDO projects aimed at identifying investment opportunities had included Romania and missions of international experts had been dispatched to his country. Although the Joint UNIDO-Romania Centre had participated in those missions, none of the opportunities which they had identified had led to any form of investment commitment. In order to prevent UNIDO from acquiring a negative image among Romanian industrial economic agents, a detailed evaluation should be made of the results of past investment promotion projects related to Romanian enterprises and the number and efficiency of UNIDO industrial investment projects targeting Romania should be increased. Cooperation between the Department for Industrial Promotion, Consultations and Technology and the Bucharest office of the Joint UNIDO-Romania Centre should be expanded.

9. One method of increasing cooperation between Romanian and foreign industrial economic agents would be to ensure better access to technological and market information. That would doubtless be expedited by the future linkage of the Bucharest office of the Joint UNIDO-Romania Centre to UNIDO's data banks. Offering small- and medium-scale Romanian enterprises access to information available in the Industrial and Technological Information Bank would also be a constructive move. An interesting project proposal for Romanian small-scale industry would be the creation of an "industrial incubator" to enable highly qualified staff, formerly occupied in applied research, to set up small production companies based on locally developed technologies and know-how, a step which could be applied in other developing countries.

10. His Government attached importance to the development and transfer of new and non-polluting technologies, the reduction of energy consumption in energy-intensive industries, and assistance in the difficult process of resource mobilization, especially for the upgrading of polluting installations, a process which was not always economically attractive. Participation in seminars and workshops focusing on the logical framework approach and objective-oriented project planning would also commend itself to his Government as a means of increasing project efficiency and cost-effectiveness. He emphasized Romania's willingness to extend cooperation with UNIDO.

11. Mrs. OK (Turkey) commended the Secretariat's efforts to improve coordination in the utilization of all the sources of funds available to UNIDO, with the aim of increasing the impact of its technical cooperation activities. She also welcomed the teamwork approach adopted by the Secretariat as a realistic way of developing and implementing technical support services at the programme level.

12. Her Government shared the Secretariat's view that evaluation was an important component of technical cooperation activities. It was gratified that UNIDO was doing more to ensure that evaluation reports were taken into account early in the project identification stage. The Secretariat should continue its efforts to improve the quality, relevance, cost-effectiveness and sustainability of technical cooperation projects, as well as their conformity with the development programmes of requesting countries.

13. Her delegation was glad to note the intensification and diversification of cooperation between UNIDO and Turkey, a process in which the advanced level of Turkish industry was being used for the benefit of other developing countries. In the past year, eight in-plant group training programmes attended by 77 participants from 39 developing countries had been arranged in her country. Turkey had embarked on large-scale privatization and had acquired considerable experience in that area. In order to share it with other interested countries, an international workshop on technical cooperation for privatization had been held in Istanbul in November 1992, with participants from 13 countries. Her Government hoped that UNIDO would follow up the results of that workshop closely, and also bear in mind its interest in hosting an investment forum in Turkey. Her Government had entered into a commitment to contribute LT3,470,000,000 to the Industrial Development Fund for the 1993 programme.

14. Since Turkey attached great significance to economic and technical cooperation among developing countries, it welcomed the transfer of the ECDC section to the Special Measures and Activities Division. That would enhance the coordination and monitoring of projects. UNIDO should place greater emphasis on the crucial role of technical cooperation in broadening the participation of developing countries in the global economy, in particular through the creation of an effective and flexible industrial technology base and the sustainable use of natural and human resources in the choice and operation of technology.

15. She welcomed the establishment of an electronic network to improve promotion activities in the offices of the Investment Promotion Service (IPS). Greater multilateral and bilateral financial support should be given to UNIDO for expanding its investment promotion activities and involving developing countries in them more actively. Her country had cooperated with UNIDO in investment promotion both bilaterally and within the framework of the Organization of the Black Sea Countries, and was collaborating closely with it with a view to the establishment of an IPS office in Turkey.

16. Her delegation also welcomed the move to combine Consultations with investment promotion meetings. Although investment promotion and the System of Consultations operated at different levels, the two divisions of the Secretariat responsible for them might usefully be merged in the restructuring process.

17. She commended UNIDO's efforts to institutionalize the integration of women into its operational and research activities. UNIDO must ensure that its work involved and benefited women at all levels of industrialization. Specialized expertise in that respect would continue to be necessary if UNIDO was to respond effectively to the need for sustainable development identified in Agenda 21. That requirement should be taken into consideration in the restructuring process. In addition, she urged the Director-General to ensure that at least 10 per cent of posts in the Professional category were filled by women by the end of 1993.

18. Mr. WOTAVA (Austria) said that the tabular part of the annual report (IDB.11/10) presented an enlightening comparison between the outputs implemented by UNIDO and those it had planned for the period in question, but the descriptive part of the report would benefit from being more concise. The general performance of UNIDO in 1992 had to be seen against the background of rather unfavourable general conditions, the result of which had been that the productivity gap between the developed and the developing countries had widened further. Structural trends such as lower demand for primary commodities and the replacement of labour-intensive techniques by computer-aided automation had adversely affected the position of the developing countries, as had the reduction in the official development assistance provided by many traditional donors. That situation represented a challenge not only to the Organization but also to Member States, which should give clear guidance to the Secretariat in regard to markets and products that held promise for utilizing UNIDO's potential for realizing its comparative advantages over its competitors. That guidance had not yet been forthcoming, nor had the question of the organizational reform of the Secretariat been solved.

19. UNIDO, like the remainder of the United Nations system, had been made aware of the need to make better use of its financial resources, particularly in a time of scarcity. He hoped that the new management would implement that principle. The reported improvements in programme and project quality through the logical framework approach and the objective-oriented planning method for project design, as well as the Organization's relative success in adapting to the UNDP successor arrangements in upstream activities at the programme level, were encouraging.

20. Environmental sustainability was one of the key issues for the future of industrial development. He therefore encouraged UNIDO's participation in the process begun by the United Nations Conference on Environment and Development and called for a strong response by the Organization to Agenda 21. It might be possible to secure extrabudgetary contributions for UNIDO from the many funds and programmes active in that field. Energy questions, ranging from the creation of general awareness of energy use to the choice of energy sources and energy conservation and management, were also of growing importance for future industrialization. UNIDO's own energy programme as well as its cooperation in the group of the "Vienna Four" was therefore an essential aspect of its approach to industrial development.

21. Other areas of activity to which his delegation attached importance were assistance to the least developed countries, industrial development in rural areas, the integration of women, technical cooperation among developing countries, the transfer of technology and privatization. It was gratifying to note the high increase in the volume of investment projects handled by UNIDO in 1992. The new management deserved the support of all Member States, which could help the Organization by paying their contributions punctually and reaching swift decisions on priorities and organizational reform.

22. Mr. LEE (Republic of Korea) commended the Director-General on his approach to the issue of UNIDO's future and noted that the world economy continued to be marked by sluggishness and weakness. Growth projections for the economies of the developing countries remained uncertain. Against that background, UNIDO's role was more important than ever; it must reform itself and strengthen its ability to cope effectively with the disparity between the demands of the developing countries and the scarcity of its financial resources.

23. His delegation was concerned that the implementation of UNDP projects had dropped significantly during 1992, prompting a strong need for increased flexibility in the funding and execution of technical cooperation projects, as well as for the establishment of an order of priority in UNIDO's activities. Project delivery under the Industrial Development Fund (IDF) and trust fund schemes, as well as investment-related activities, had nevertheless grown. His Government had always supported and implemented IDF and trust fund projects and was prepared to extend its cooperation still further by an increased voluntary contribution to the Industrial Development Fund in 1993.

24. Despite a series of informal consultations, Member States had been unable to reach consensus on the prioritization of UNIDO activities. At present he merely wished to reiterate the importance of redefining UNIDO's objectives and roles on the basis of its comparative advantage within the United Nations system, after which it should establish its future priorities and restructure itself accordingly. The Organization should build up its capacity to deal with important issues such as sustainable development. He welcomed the action it had so far taken in response to the outcome of the United Nations Conference on Environment and Development. In close coordination with other United Nations agencies, UNIDO should participate actively in the implementation of Agenda 21, taking part in the work of the Commission on Sustainable Development and reporting back to the Board.

25. With regard to the Special Programme for the Industrial Development of Asia and the Pacific, his delegation considered that coordination between UNIDO and the Economic and Social Commission for Asia and the Pacific should be expanded. In tackling industrialization UNIDO should intensify its cooperation with the private sector, providing assistance within the framework of the industrial policy of each developing country. In the area of development and transfer of technology, it should play a leading role within its mandate in facilitating the transfer of environmentally sound and clean industrial technologies from the developed to the developing countries.

26. As far as staff recruitment was concerned, a determined effort should be made to ensure the equitable distribution of Professional category posts on both a regional and national basis. Due consideration should always be given to candidates from countries that were underrepresented or unrepresented in the Secretariat in the light of their ability to contribute to the work of UNIDO. He joined with other delegations in expressing concern over UNIDO's difficult financial situation, and in particular its cash flow problem, and urged Member States to pay their contributions in full and on time.

27. His Government would continue to give its full support to UNIDO and was ready to take part in joint efforts to overcome the current crisis and revitalize the Organization in the years to come. Like the new Director-General, he hoped that the forthcoming General Conference would open a fresh chapter in the Organization's life.

28. Mr. IAIANA (Observer for Argentina) said that his Government had recently set up an under-secretariat for investment within the Ministry of Finance and had designated it as the counterpart for the investment programme carried out jointly with UNIDO. He thanked the Industrial Investment Division for its speedy response to the request that the coordinator of the investment programme for Latin America and the Caribbean should make contact with the new counterpart, as well as its action to meet the wishes expressed by the MERCOSUR countries regarding the possibility of coordinating their investment promotion activities.

29. UNIDO's efforts to establish an electronic network designed to improve the coordination of investment promotion activities by linking the investment promotion offices, the focal points and Headquarters deserved support. His own country hoped to connect its information systems to that network. He drew attention to UNIDO's activities with regard to the delegates' programme in the investment promotion offices and the support which the programme received from the industrialized countries. It had clearly emerged from informal consultations that the developing countries attached the highest importance to industrial investment promotion. It was therefore gratifying to note that UNIDO's activities in that area had increased, a situation which called for the allocation of additional resources to the Industrial Investment Division.

30. He supported India's call for more attention to be paid to the goods and services available in developing countries, so that they could substantially increase their share in the award of contracts. He thanked UNIDO's Purchase Section for its contribution to the meeting of heads of United Nations procurement services held recently in Buenos Aires.

31. Ms. CARILLO (Cuba) said that despite a difficult financial situation UNIDO had been able to maintain its most important programmes and activities, mainly through the devoted efforts of the Secretariat. The attempt to streamline and reform the Organization had continued.

32. The provision of technical assistance to the developing countries remained a primary responsibility of UNIDO, necessitating high standards in the formulation and design of technical cooperation projects. Only such changes in that process as were strictly necessary should be introduced, bearing in mind the priorities laid down in the medium-term plan. Certain of those priorities might be regarded as more urgent than others and therefore more deserving of attention, but none of the programmes adopted in that connection should be dropped altogether. She endorsed the idea of formulating national

strategies in collaboration with beneficiary countries and of establishing a programme and project cycle management system. Those ideas should be carefully analysed with a view to making UNIDO's technical cooperation activities a source of real support for the developing countries.

33. Technical assistance had come to assume even greater importance for developing countries than in the past because of current economic difficulties. She expressed her Government's gratitude to UNIDO for being the first United Nations agency to respond to Cuba's request for emergency assistance in dealing with the epidemic that had recently afflicted her country, and also for its help after the storm that had ravaged Cuba.

34. She was concerned that only two projects were presently being implemented under the Regional Cooperation Programme for the Industrial Recovery of Latin America and the Caribbean. While satisfied with their results, she hoped that others would soon go ahead.

35. UNIDO's environment programme provided a sound basis for future action, although the Organization's fields of competence and order of priority should be matched specifically to implementing Agenda 21. To fulfil its mandate in that respect, UNIDO must seek new and additional resources so that Member States could achieve the targets set under the programme.

36. It was gratifying to note that industrial investment activities had increased in 1992. Her own country was at present completing the final stages of a programme designed to attract foreign investment, first launched in 1989. Beginning with the tourist industry, the programme covered more than 100 businesses in all branches of the economy, including light metallurgy, agriculture and building materials. UNIDO's experience in those areas could be of great assistance to Cuba. Her country firmly intended, despite extreme economic difficulties, to support the new management of the Organization in every way it could. It was a source of great satisfaction that the new Director-General came from the Latin American and Caribbean region at a time of such great importance for its future.

37. Mr. FONTES BRAGA (Brazil) said that his country had placed considerable emphasis on the modernization of its industrial sector, seeking to develop its technological capability and to improve quality control and productivity. Within that framework, Brazil attached importance to its relationship with UNIDO, particularly in such areas as textiles, capital goods, agro-industries, metallurgy and the electro-electronic industries.

38. It was gratifying that UNIDO paid considerable attention to activities in the field of energy, in which his own country had developed technology for the commercial use of renewable energy sources. The Organization also placed emphasis on environmental activities, where it had an important role to play by helping developing countries to obtain access to environmentally friendly technologies and processes.

39. With regard to technical cooperation, he welcomed the action being taken to improve project evaluation, which should help to make them more relevant, cost-effective and sustainable. Careful attention should be given to the conformity of projects with the recipient country's development policies. He agreed with what other speakers had said about the Regional Cooperation Programme for the Industrial Recovery of Latin America and the Caribbean and pointed out that economic and technical cooperation among developing countries (ECDC/TCDC) could be highly effective in mobilizing resources for both recipient and donor countries and in reducing UNIDO's costs. In his view, ECDC/TCDC activities should be expanded, so he failed to see why the staffing of the section concerned had been reduced.

40. As far as personnel matters were concerned, the statement by the staff of UNIDO (IDB.11/30) was in many respects a valid contribution to the work of the policy-making organs, but it contained propositions with which he could not agree. The staff must accept the need for the Director-General and Member States to take harsh measures in order to correct past mistakes. Questionable management practices were nevertheless being eliminated and he was convinced that the Director-General was pursuing the correct course of action in regard to personnel issues.

41. He was pleased to see from the progress report (IDB.11/11) that the target of 25 per cent for the overall representation of women in geographical posts in the Secretariat set by the General Conference for 1993 in decision GC.4/Dec.24 had almost been achieved. He particularly commended the improved distribution of female Professional staff by grade. However, since only 21.9 per cent of candidates on the Secretariat's roster were female, he urged Member States to propose more women candidates for senior Professional posts.

42. Without sacrificing its technical capacity at Headquarters, UNIDO should make better use of its staff in the field. Redeployment of posts to the regular budget might be a way of increasing the number of UNIDO Country Director posts without additional expenditure. UNIDO should raise the national execution content of programmes and projects, thus reducing costs to the Organization while increasing technological capacity and human resources development in the country concerned. UNIDO Country Directors (UCDs) should work closely with Headquarters and other UCDs in their region.

43. His delegation approved the conclusions and recommendations contained in the annex to document IDB.11/17 on the Consultations held in 1992. Initiatives to combine industrial investment promotion activities with Consultations should be intensified.

44. Mr. VEITOVAGLIA (Switzerland) said that, in the light of the exceptional diversity of UNIDO's activities, he eagerly awaited the formulation by the Director-General of precise objectives for its work. Priorities should be set within current activities; if Member States could not agree on the priorities, the Director-General would have to give a stronger lead in the matter. Although the Members of the Organization had a right to determine its strategy and priorities, they also had a duty to provide it with financial resources. He therefore supported the Director-General's appeal to Member States to fulfil their financial commitments.

45. UNIDO certainly had a role to play in the future industrialization of developing countries, including those countries in the process of economic transition. The Organization's effectiveness should be increased by giving priority to its comparative advantages, and particularly its ability to offer a global response to the needs of international industrial cooperation in all stages of the life of an industrial project. That response should be directed towards small- and medium-scale private enterprises.

46. Other priorities for UNIDO were technology transfer and technical assistance for industrial operations in target sectors such as agro-industries, leather, chemicals and pharmaceuticals, energy and the environment.

47. Assistance to enterprise management, industrial investment and human resource development were also important and should be guided by three basic principles: the principal beneficiaries should be small- and medium-scale private enterprises, professional and other institutions, and governments; strategies and operations should be based mainly on demand and therefore oriented to the needs of developing countries; and the industrial development assisted by UNIDO should be ecologically sustainable.

48. His delegation was glad that the Director-General had severely curtailed the System of Consultations, which it had long felt was not of great value to UNIDO. He asked the Director-General how he would be able to implement the programme of Consultations for 1994-1995 already approved by Member States with a severely reduced staff and financial resources.

49. Mr. CHEN Shiqiu (China) commended the Director-General for his annual report and the steps he had taken since his appointment. UNIDO was in a very difficult period of its existence and faced a number of challenges, but they represented opportunities which he was confident the Organization would grasp. As a representative of a developing country he fully supported UNIDO in its work to promote the industrial development of developing countries. The Organization should evaluate industrial development globally and relate it to the needs of developing countries. It should identify its comparative advantages and set priorities aimed at optimizing the use of scarce resources.

50. The annual report for 1992 was very comprehensive but did not clearly reflect UNIDO's priorities; in future it should be more concise and targeted, not simply a list of activities. Moreover, it should explain how effective the Organization had been and identify its strengths and weaknesses in order to determine which of its activities should be continued. It was important for a consensus to be reached on the priorities for UNIDO's activities so that it could make the best use of its resources.

51. One priority for UNIDO was to promote external investment and technology transfer for small- and medium-scale enterprises. The share of developing countries in inward investment, a precondition for industrial development in developing countries, had been declining steadily since the 1960s. At a time when aid was decreasing, UNIDO should endeavour to reverse that trend through action by its Investment Promotion Service. Investment in technology transfer would contribute to North-South and South-South cooperation.

52. His own country had benefited from investment activities, notably through the investment forum recently held in north-west China, and he looked forward to further such events in September 1993 and March 1994 that would involve cooperation between UNIDO and UNDP.

53. Mr. VEICHERKO (Belarus) said that recent experience had shown the increasing role of international institutions, among which UNIDO occupied a leading place, in improving international economic relations in general, and between developed and developing countries in particular. He particularly valued the work undertaken by UNIDO, the increasing number of projects which it implemented and the way in which it strengthened the industrial potential of recipient countries. The Organization was giving ever greater attention to environmental protection, the development of small- and medium-scale industries, investment promotion and the development of human resources.

54. For countries such as his which were transforming their economies, all aspects of cooperation with UNIDO were important, not only financial help but also consultancy and other technical assistance in perfecting legislation, developing the enterprise sector, dismantling industrial monopolies, developing human resources and solving problems of environmental protection. That issue was particularly important for his country, in which the cost of eliminating the consequences of the Chernobyl disaster was some 6 per cent of its gross domestic product for the current year. That expenditure was seriously delaying the rate of structural reform and transition to a market economy. He was grateful to the United Nations and to UNIDO, among others, for their interest in mitigating the effects of the Chernobyl catastrophe.

55. Another problem was the reform of the industrial sector, for which resources were needed. His country's internal resources were largely devoted not only to dealing with the aftermath of Chernobyl but also to supporting the social security system. He attached particular importance to the recent suggestion that a special international programme for industrial restructuring in newly independent countries should be set up. Such a programme could significantly help those countries in transforming their economies through capital investment and in rebuilding their industrial management capability.

56. A particularly important step would be the establishment of an industrial restructuring fund to meet the investment needs of newly independent countries at the enterprise level. The provision of country industrial reviews, the preparation of business plans for individual enterprises, and workshops to pass on foreign industrial management experience were activities in which UNIDO was particularly well qualified to offer assistance.

57. He looked forward to UNIDO's help in dealing with the aftermath of the Chernobyl disaster through the provision of funds by donor countries, as well as in the following areas: a programme of structural reform; modernization of basic industry to meet the needs of environmental protection and energy conservation; ecologically sound agricultural production; development of the private sector, including small- and medium-scale enterprises; and the development of an economic information data bank. He hoped that the recently opened United Nations office in Minsk would, in cooperation with UNIDO and his Government, provide effective assistance in those respects.

58. Mr. Bakshi (India) took the Chair.

59. Mr. ZAITSEV (Russian Federation) said that his delegation took a generally positive view of the Organization's activities in 1992. The Secretariat had been able to implement its programmed tasks satisfactorily despite financial constraints, a fact which pointed to the Organization's potential for operating even more effectively in the future.

60. His delegation welcomed the efforts made by UNIDO to meet the needs of countries undergoing the transition from a command to a market economy, especially in fields such as private-sector development, small- and medium-scale businesses, joint enterprises, free economic zones, privatization, conversion of the defence sector, organizational support for industrial activity and the retraining of managers. It also welcomed UNIDO's assistance in the restructuring of industry, the implementation of technical projects from trust fund sources and the organization of briefings for representatives of industry and business. Adequate support should be given to the UNIDO Centre for International Industrial Cooperation in Moscow.

61. UNIDO's intensified activities in helping to attract foreign investment had boosted industrial development. The investment forum of the countries of the Commonwealth of Independent States held in Vienna in November 1992, as well as the forum scheduled to be held in Irkutsk in October 1993, would be of direct practical interest to all Members of UNIDO in offering possibilities of cooperation with foreign companies in joint enterprises to tap Russia's rich natural resources and technological know-how. His delegation reaffirmed its interest in the preparation of analytical information on global investment trends and hoped that resources could be found for that work.

62. He regretted that the volume of cooperation extended to the Arab States, Europe and the Mediterranean was unwarrantably low by comparison with that furnished to other regions.

63. His delegation shared the view that UNIDO should be involved in work on the environment and energy. It requested the Secretariat to inform Member States of the progress of the work of the "Vienna four". The Organization's role in energy matters should relate not merely to the identification of environmentally safe industrial technologies but also to their implementation.

64. In the field of cooperation with developing countries, representatives of Russian science and industry had expressed interest in UNIDO projects for exploitation of the newest technologies. His delegation commended the Organization for its work in the areas of applied chemistry, new materials, genetic engineering and biotechnology. Representatives of Russian industry could benefit from the use of UNIDO's infrastructures and would welcome the opportunity to participate in its technology transfer activities. The Russian Federation could make a valuable contribution to the work of the Organization in matters of specific technologies, equipment and experts to assist in joint ventures.

65. His delegation saw importance in a selective approach by UNIDO to technology transfer and in encouraging professional associations to share in that activity, as well as in the need to create an international centre for the development of industrial technology.

66. With regard to reforming the Organization, experience showed that it was possible to improve its structure on the basis of the powers conferred on the Director-General by the Constitution. His delegation approved the organizational changes mentioned in chapter I, paragraph 17 of the annual report (IDB.11/10) and believed that it would be useful for the Director-General to pursue such an approach in the future.

67. Mr. PUTHO (Thailand), referring to the portion of the progress report (IDB.11/11) that dealt with activities in the field of energy, commended the endeavours of the "Vienna Four" and hoped that they would strengthen their cooperation in order to assist the developing countries in meeting their energy needs. High priority should be attached to UNIDO's work on new, renewable and non-polluting energy sources and on measures to improve efficiency in the industrial sector. A study on the advantages of hydropower should be conducted as a means of reducing the resistance of environmentalists in developing countries to the use of that source of energy.

68. With regard to the Special Programme for the Industrial Development of Asia and the Pacific, he said that the success of the many workshops organized in the context of the Programme depended to a large extent on the state of preparedness of both participants and organizers. The country briefs on the status of agro-related metalworking industries in the least developed countries of Asia and the Pacific appeared to be incomplete - the implication being that either the participating countries or the organizers had not been sufficiently prepared for the workshop on which those briefs had been based. Thorough preparations should be made for such workshops in advance. In the further implementation of the Special Programme his delegation hoped to see the formulation of adequately financed new programmes and projects of a regional or subregional character in the areas set out in the relevant General Conference resolutions and decisions, in close consultation with the countries concerned and with the incorporation of elements pertaining to economic and technical cooperation among developing countries. His delegation advocated the establishment of a special account for the Programme in the Industrial Development Fund in accordance with General Conference resolution GC.3/Res.18.

69. Turning to UNIDO's environment programme, he said that the Organization should give prominence to the link between the environmental and economic

aspects of cleaner production by promoting economic incentives for greener industries, systems for environment, energy, waste, health and safety audits, minimization of waste generation and the recycling of industrial wastes and by-products. Thailand was interested in working with UNIDO, in partnership with the United Nations Environment Programme, in the recently launched network of national cleaner production centres, which would support training and technology transfer along the lines proposed at the UNIDO 1991 Conference on Ecologically Sustainable Industrial Development.

70. In an era of disarmament, developed countries should mobilize financial resources more than ever before for the implementation of environmental programmes and projects in developing countries. Failure by the North to support the South in its endeavours to overcome environmental problems would mean their missing a golden opportunity for access to environmental technology markets in developing countries. His delegation commended the Secretariat for securing UNIDO's status as the fourth implementing agency for the Multilateral Fund for the Implementation of the Montreal Protocol. It hoped that UNIDO would increase its involvement in the implementation of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal, and that it would continue to promote biotechnology, biosafety and genetic engineering systems, as well as the use of new and renewable sources of energy, to bring about cleaner industries in developing countries. His delegation fully approved the active involvement of UNIDO in United Nations inter-agency activities on the follow-up to the United Nations Conference on Environment and Development and the realization of Agenda 21.

71. Mrs. BECKER (United States of America) endorsed the remarks made by the observer for Denmark on behalf of the European Community and its member States and the comments made by the representative of Mexico regarding the importance of a proper project evaluation system. The Director-General's annual report was potentially one of the Organization's most effective advertisements, especially in the capitals of Member States. It should therefore be clear, concise and well focused, so as to ensure that policy makers and budget decision makers were fully aware of the Organization's objectives, successes, comparative advantages and forward-looking strategies.

72. The portion of the progress report (IDB.11/11) entitled "UNIDO environment programme, including follow-up to the United Nations Conference on Environment and Development" outlined an ambitious strategy to help developing countries launch sustainable industrial development programmes. UNIDO should be commended for its efforts to respond to the challenge presented by the United Nations Conference on Environment and Development (UNCED) and Agenda 21, and for developing a strategy to cooperate with UNDP on the implementation of the Capacity 21 project. Her Government had viewed UNCED as an extraordinary opportunity for greater cooperation on global issues, particularly with multilateral and bilateral institutions. UNIDO should be encouraged to play an active role in the Capacity 21 programme.

73. She emphasized her delegation's commitment to the participation of women in every aspect of UNIDO projects, particularly in field-level managerial positions, indigenous communities and non-governmental organizations. In view of its dwindling staff and financial resources, her delegation wished to know how UNIDO intended to meet its growing environmental commitments. A delineation of the goals and scope of several key projects would be useful in that respect. Her delegation applauded the achievements of UNIDO's environment programme and welcomed the fact that it had made the guidelines developed at the UNIDO 1991 Conference on Ecologically Sustainable Industrial Development (ESID) an integral part of its environmentally-related activities. Document IDB.11/11 provided a general framework for cooperation between UNIDO and UNDP on that important initiative. It was to be hoped that the Capacity 21 project and the incorporation of ESID guidelines into United Nations project activities across the board would signal an important shift in the conceptualization of technical assistance to developing countries.

74. Turning to the System of Consultations, she reminded the Board that, at its ninth session, her delegation had questioned the relevance of the System for UNIDO's industrialization policy. In decision IDB.9/Dec.9 the Board had recommended, inter alia: reducing the length of meetings to less than five days to encourage more private-sector attendance; exploring the possibility of combining the System of Consultation meetings with investment promotion meetings; and ensuring that the programme was fully integrated with other UNIDO activities. The progress report (IDB.11/11) stated that the Consultations held after the ninth session had been one day shorter than previous meetings and had included more private-sector participants, but with regard to the latter assertion it provided no basis for comparison. Furthermore, it gave the impression that the integration of the System of Consultations and UNIDO's industrial investment promotion programmes was unlikely.

75. The progress report gave examples of how, in response to the Board's request to synergize the programme with other UNIDO activities, various divisions within the Organization had taken advantage of the Consultation meetings to follow up on other UNIDO activities which had initiated new technical cooperation projects. However, the report provided no specific information on those projects. Finally, her delegation questioned whether Consultations held in Vienna, rather than in the region concerned, were effective and useful.

76. Given that the System could make appropriate yet limited contributions to UNIDO activities, the resources devoted to it should be proportional to potential results. In the current climate of fiscal restraint, Member States must be confident that the programmes of international organizations such as UNIDO were investing scarce resources effectively. Her delegation strongly urged UNIDO to continue its efforts to implement all of the recommendations made by the Board at its ninth session with regard to the System of Consultations.

The meeting rose at 12.45 p.m.

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Industrial Development Board

Eleventh session

SUMMARY RECORD OF THE 3rd MEETING

Held at the Vienna International Centre, Vienna,
on Tuesday, 29 June 1993, at 3 p.m.

President: Mrs. MACHADO QUINTELLA (Brazil)

CONTENTS

Agenda item		Paragraphs
5	Annual report of the Director-General for 1992 on the activities of the Organization (continued)	1 - 80
15	Participation of UNIDO in international cooperation to study and mitigate the consequences of the Chernobyl accident	81 - 94

The meeting was called to order at 3.20 p.m.

ANNUAL REPORT OF THE DIRECTOR-GENERAL FOR 1992 ON THE ACTIVITIES OF THE ORGANIZATION (continued) (IDB.11/10, IDB.11/11, IDB.11/17, IDB.11/CRP.1, IDB.11/CRP.2; IDB.10/18; ID/380, ID/385)

1. Mr. PRODAN (Observer for Ukraine) said that among the most noteworthy achievements to emerge from the comprehensive reports before the Board were UNIDO's activities in human resource development, the development and transfer of technology, the rehabilitation and modernization of industrial enterprises, the promotion of industrial investment and an impressive array of technical cooperation projects. Commendable efforts had been made in the field of energy, especially in regard to the promotion of new and clean technologies, the use of renewable sources of energy and improved efficiency in the industrial sector, and in UNIDO's environment programme, including its implementation of the resolutions of the United Nations Conference on Environment and Development (UNCED).

2. Ukraine, too, was endeavouring to play its part, in particular in regard to human resource development. Despite its difficulties in moving towards a market economy, it had provided support for a group training programme for electric welding personnel at the training centre of the Ukrainian Academy of Sciences' Electric Welding Institute at Kiev. Participants from eight developing countries had taken part in the training programme and in the seminar held on that occasion, whose costs had been borne entirely by Ukraine. In 1993 provision had been made to cover all the expenses of specialists from the developing countries undergoing training at the centre.

3. UNIDO's activity in the region of Central and Eastern Europe, especially in the countries of the former Union of Soviet Socialist Republics had, however, been somewhat limited in 1992 - a notable exception being the investment forum organized by UNIDO in cooperation with a consulting firm in Vienna at the end of 1992. Ukraine itself had benefited from a series of initiatives, including a reconstruction programme formulated at the beginning of 1993 to build up its metallurgical industries, but no similar initiatives had been forthcoming for other sectors. Proposals by the Secretariat at the beginning of 1993 to provide technical assistance for industrial reconstruction and promotion of foreign investment were welcome. It would be helpful for Ukraine and other countries of the region undergoing a transition to a market economy if, under UNIDO's new management, a more systematic and coordinated approach to resolving their complex problems were adopted.

4. Ms. MAGISTAD (Norway), associating herself with the comments of the spokesman for the European Community and referring to the integration of

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women in industrial development, welcomed UNIDO's endeavours in that direction, including the establishment and progress of the Unit for the Integration of Women in Industrial Development. Significant projects and initiatives described in the 1992 annual report of UNIDO (IDB.11/10) indicated growing acceptance and appreciation of the contribution of women to economic progress, including industrial development. However, she questioned the view expressed in document IDB.11/11, paragraph 80, that monitoring to ensure "gender neutrality" was needed. "Gender neutrality" could only serve to maintain the status quo. More decisive approaches were needed, recognizing the different needs of men and women in development as separate target groups. Further information on UNIDO's proposed contribution to the Fourth World Conference on Women was awaited with interest.

5. While her Government remained committed to the principle of the Director-General's independent responsibility for the organization of the UNIDO Secretariat, it expected any future structure to ensure continued priority for the integration of women in industrial development, to which special attention should be paid in the final proposal to the resumed session of the Board and to the General Conference.

6. Mr. EL HUSSEIN (Sudan) noted the serious financial situation of UNIDO, related to changes in the global situation and the failure of certain States to pay their arrears. The least developed countries depended heavily on UNIDO for technical assistance, the development of human resources, the promotion of investment and privatization. Those programmes should not be affected by the financial situation of UNIDO or global changes.

7. Sudan had begun to implement a 10-year strategy for industrialization and privatization aimed at strengthening the industrial infrastructure, and would need the support of UNIDO. Despite the difficulties facing UNIDO, he commended its efforts to prepare and implement programmes aimed at strengthening industrial potential in the Member States and reinforcing the principle of self-reliance in all fields of industry. He welcomed the progress being made in programmes of the Second Industrial Development Decade for Africa and the contribution made by UNIDO towards the recent meeting of the Conference of African Ministers of Industry, which had reviewed the implementation of the programmes. The African countries looked forward to further cooperation between UNIDO and the Organization of African Unity (OAU) and the Economic Commission for Africa (ECA). Some African countries were among the least developed countries, whereas countries in other continents had achieved considerable rates of growth. His delegation therefore believed that projects for African countries should be among the foremost priorities of UNIDO and should not be adversely affected by the decline in financial resources.

8. The energy programmes described in the annual report (IDB.11/10) should be closely connected with and not implemented in isolation from industrial development. Countries lacking an industrial infrastructure were not suitable places for advanced energy programmes. With regard to the technical cooperation activities of UNIDO, there was a need to increase funds for such activities, to ensure coordination in the use of funds and to draw up new programmes for the benefit of the least developed countries.

9. His delegation gave its full support to the incorporation of women's programmes within the activities of UNIDO. Sudan had drawn up women's programmes to be incorporated into its industrial development plans. He also commended UNIDO efforts in the field of the environment and the follow-up of the United Nations Conference on Environment and Development.

10. Regarding economic cooperation among developing countries (ECDC), efforts should be focused on developing human resources and encouraging rational use of the available financial and technological resources in the developing countries. The potential for economic cooperation was not being exploited sufficiently. The advanced countries should write off the debts of the least developed countries in order to enable those countries to make a fresh start. To permit the successful transfer of technology, it was necessary to enhance the capacity of the developing countries to absorb such technology. Extrabudgetary resources should be mobilized, the System of Consultations should be developed and training programmes should be organized. In the developing countries, and in particular the least developed countries, human resources development was essential to industrial development. His delegation was therefore concerned at the sharp drop in spending on human resources development programmes in recent years. With regard to the programmes for the least developed countries, he stressed the importance of implementing fully the Paris Declaration and the Programme of Action for the least developed countries for the 1990s adopted by the Second United Nations Conference on the Least Developed Countries held in 1990.

11. Mr. BONEV (United Nations Development Programme) said that concern had been expressed about the substantial decrease in UNDP-funded projects implemented by UNIDO. All executing agencies had been affected by a similar decline in UNDP resources. Pledges had not increased as hoped, and the Administration had been compelled to decrease the indicative planning figures for the current programming cycle by 25 per cent. Another factor was the increased volume of nationally executed projects. National execution, which had accounted for almost 40 per cent of approved UNDP projects in 1992, would receive increasing emphasis in accordance with United Nations General Assembly resolutions 44/211 and 47/199, the aim being to promote self-sufficiency. Another factor had been the somewhat slower pace of implementing the new UNDP support costs arrangements than had been anticipated.

12. At its recently concluded fortieth session, the UNDP Governing Council had approved 10 UNDP country programmes for Africa, nine for Asia and the Pacific, two for Latin America and the Caribbean and four for the Arab States, and had adopted 31 decisions. In response to the call in General Assembly resolution 47/199 for a more coordinated approach within the United Nations system, the Governing Council had requested UNDP to implement the resolution both within the framework of its own activities and within the relevant inter-agency coordination mechanism. In connection with the United Nations New Agenda for the Development of Africa in the 1990s, the Council had called on the international community to assist African countries in their efforts to achieve accelerated growth and human-centred development by seeking durable solutions to the African debt crisis, among other problems, and had

requested a strengthening of UNDP efforts to address the special needs of the least developed countries.

13. On national execution and agency support costs, the Council had called upon recipient countries to assess national capacities for carrying out execution responsibilities before approval of UNDP's programmes and projects, and had encouraged greater use of the specialized agencies in the design, technical appraisal and backstopping of nationally executed projects. It had urged UNDP to accelerate the pace of approvals of TSS-2 funding of UNDP-financed projects, and had also urged greater involvement of the specialized agencies through the use of TSS-2 in the design and formulation of such projects.

14. In regard to the follow-up of UNCED and Agenda 21, the Administrator had been requested to proceed with the implementation of Capacity 21 and had been supported in his proposal to devote 40 per cent of the initiative's overall resources to the least developed countries. The Council had recognized the need for closer cooperation between UNDP, the United Nations Environment Programme (UNEP) and other agencies, including UNIDO, in the field of the environment. The Administrator had been requested to report annually on the subject, which included UNDP's relationship with other agencies involved in sustainable development.

15. The Council had accepted the modalities for the transfer of the Office for Project Services to the United Nations Secretariat, subject to a number of requirements such as its enjoying a maximum degree of autonomy and remaining a fully self-financing institution.

16. In conclusion, he informed the Board that Mr. G. J. Speth had been confirmed as the next Administrator of UNDP. On his appointment, Mr. Speth had drawn attention to the need for the various programmes and agencies of the United Nations family to focus their roles, overcome fragmentation and forge an integrated and well-coordinated effort in the countries with which they cooperated.

17. Mr. BADR (Observer for Yemen) referred to chapter VI of document IDB.11/11 ("Special Programme for Industrial Development in the Arab Countries") and specifically to paragraph 44. The least developed Arab countries had not received sufficient attention in the programmes approved. As indicated in paragraph 42, UNIDO and the regional organizations cooperating with it had adopted three regional project proposals. He commended the efforts of the Director-General to obtain the necessary funding for those proposals and trusted that such funding would be secured. Yemen attached great importance to the Special Programme for Industrial Development in the Arab Countries and urged the Director-General to increase the resources necessary to strengthen administrative capacity, competence and expertise in the Arab countries, taking into account local conditions.

18. While expressing his appreciation for the efforts of the Director-General to provide assistance to the Palestinian people and promote industry in the occupied Palestinian territory, he stressed the importance of establishing a UNIDO focal point to facilitate the activity of the Organization in the occupied territory and to seek new sources of funding which would ensure the implementation of assistance projects for the Palestinian people.

19. Mr. SALLOUKH (Observer for Lebanon) said that the profound changes sweeping the world made it necessary to adapt the activities, policies and structure of UNIDO. It was necessary to undertake structural reforms in order to cope with the financial difficulties facing the Organization. However, the changes required should not affect the mandate of UNIDO, which was to provide technical assistance for the industrialization of the developing countries, the target being to increase their share of world industrial production to 25 per cent by the year 2000. Priorities should be drawn up in the light of the industrial strategies adopted on a country and a regional basis, and attention should be paid to regional industrial cooperation and to enhancing the competitiveness of industrial products from the developing countries. Particular attention should be devoted to the Special Programme for Industrial Development in the Arab Countries. He commended the efforts of the Director-General in that regard and expressed appreciation for what had already been achieved. He supported the proposal of the regional Arab organizations for the convening of a joint meeting of organizations concerned with industry to review the priorities of the Special Programme and to mobilize funds for it. He also commended the initiative of the Director-General to convene a meeting of the Arab Ministers of Industry in June 1994.

20. The Arab region was in urgent need of an increase in the number of UNIDO Country Directors (UCDs) from the current level of two. Efforts might be made to secure national contributions towards the costs of the UNIDO Country Director programme.

21. Importance should be attached to promoting the programme for the Arab countries and to enhancing the capacity of the Arab Programme in the Secretariat. A fair geographical distribution of staff should be ensured.

22. It was also important to pay attention to regional cooperation among developing countries and to the needs of the least developed countries, and in particular the least developed Arab countries.

23. He commended the provision by UNIDO of assistance to the Palestinian people and urged the Director-General to seek to overcome the financial and security difficulties in order to broaden and develop such assistance.

24. In conclusion, he commended the cooperation between UNIDO and Lebanon. In that connection, he noted that UNIDO delegations had visited Lebanon to discuss various topics and projects with the relevant authorities. Lebanon had embarked upon a plan of reconstruction and economic revival, which would require assistance and expertise. The assistance of UNIDO and other organizations would help Lebanon to become once again a flourishing and self-sufficient country, which in turn would be able to help other developing countries in need.

25. Mr. AHMADI (Islamic Republic of Iran), commenting on UNIDO technical cooperation activities in 1992 (agenda item 5 (a)), drew

attention to the decline in the volume of technical cooperation in 1992 as compared with 1991, as reported in chapter I, paragraph 26, of document IDB.11/10. Meanwhile, it could be seen from table 3A in the statistical annex that, whereas UNDP funding had declined, other sources of funds had increased. The Organization should spare no efforts in mobilizing other such sources of funding in order to offset the continual depletion of UNDP resources.

26. With regard to the Special Programme for the Industrial Development of Asia and the Pacific (agenda item 5 (c)), the restructuring of the Secretariat should be aimed at improving the Organization's overall efficiency by ensuring greater flexibility and enhancing the Secretariat's capacity for change and innovation. The strengthening of special regional programmes could be achieved by integrating the functions of area programming and project development into one organizational component and consolidating the activities related to technical cooperation at country level. A closer relationship should be established between studies and programme development and more effective mechanisms for project appraisal and evaluation. Regrettably, the Organization's distribution of resources among different regions had not always been consistent with the principle of equitable geographical distribution; the Asia and the Pacific region, for example, accounted for only 16.6 per cent of the total value of new approvals in 1992 for the Special Industrial Services (SIS) programme by area. Another important factor in the implementation of regional programmes was the dissemination of benefits to a larger number of countries in the region.

27. On the subject of technical assistance to the Palestinian people (agenda item 5 (g)), little progress was reported towards the implementation of General Conference resolutions GC.3/Res.13 and GC.4/Res.7. His delegation encouraged the Director-General to continue his efforts to implement those resolutions in full, although such efforts would have little impact as long as the economic situation of Palestine continued to deteriorate as a result of the pursuit by the occupying regime of its policy of violence, displacement and expulsion of the native population.

28. With reference to economic and technical cooperation among developing countries and development and transfer of technology (agenda item 5 (i) and (m)), he stressed the need for the widest possible utilization of experts, services and equipment from developing countries in UNIDO's technical cooperation projects and for increased efforts to promote human and technological capabilities in developing countries. The figures given in table 1 in appendix D and table 6 in chapter V (page 113) of document IDB.11/10 showed that no progress had been achieved in securing experts from developing countries. With regard to the purchase of equipment from developing countries, paragraph 66 of document IDB.11/11 showed that the total value of UNIDO purchase orders to developing countries had decreased by 39.6 per cent in 1992 as compared with 1991 and accounted for less than 10 per cent of total technical cooperation delivery in 1992.

29. In view of those considerations, he urged that all necessary steps should be taken to fulfil the objectives of decision IDB.9/Dec.8 in order to achieve genuine ECDC and TCDC. Although he supported UNIDO's efforts to ensure active participation by industrial partners at Consultations, he wished to stress that investment promotion meetings and the creation of new projects must follow the Consultations. His Government had always supported ECDC and TCDC activities and would shortly be hosting a Consultation on Downstream Petrochemical Industries in the Developing Countries at Tehran.

30. Mr. ARIZAGA (Observer for Ecuador) said that the subjects emphasized in the Director-General's annual report (IDB.11/10) reflected the current situation of the Organization. The reduction of 25 per cent in implementation of UNDP projects from 1991 to 1992 was cause for great concern. The 8 per cent decrease in technical cooperation in 1992 compared with 1991 clearly revealed that UNIDO needed a new impetus.

31. Attracting financial resources was a priority task for the Organization. His delegation remained concerned about UNIDO's financial difficulties and welcomed the efforts made by the Director-General to stabilize the situation, including efforts to balance income and expenditure, undertake staff reductions, painful as they were, and reduce administrative costs.

32. Future annual reports should include more general information. An excess of detail made it difficult to gain a clear picture of the Organization's real situation.

33. Referring to chapter III of the annual report and the section on field representation and coordination (subprogramme 321), he said the situation of the UNIDO Country Director programme was by no means encouraging. The significant increase in local and international support costs, the $ 1.5 million disparity between UNDP contributions and UNIDO expenditures for the first year of the UNDP programming cycle, the new arrangements adopted by UNDP concerning support costs for international organizations and the reduction in voluntary contributions created a real problem for the Organization. Countries like his own, which relied on the UCD programme as a vital link between Headquarters and the field, were affected by any problems affecting the programme. There was no doubt that, as stated in the report (IDB.11/10, chap. III, para. 67), careful budget monitoring was vital. Administrative costs must be reduced and travel avoided to the greatest extent possible. The need for visits by UCDs to Headquarters must be questioned. His country had observed the Organization's difficulties and had demonstrated its willingness to help by offering to pay a portion of the local costs for UCD offices in Ecuador.

34. Referring to the section on Latin America and the Caribbean (subprogramme 335), he said it was gratifying to note that some of his Government's policies were reflected therein. His delegation was concerned that only two of the five projects identified by the General Assembly in 1989 for Latin America were now being implemented. It was, on the other hand, pleased with the change in the name of the programme for the automation of the capital goods industry, which had now become the programme for modernization of the capital goods sector. The countries of the region agreed that the new name was more realistic.

35. Work on the agro-industry programme, phase II of the project on investment promotion and the biotechnology and software and micro-electronics programmes should begin as soon as possible. He hoped the work on the remaining programmes and the new programmes whose implementation had been deferred would also start soon.

36. Referring to the section on Latin America and the Caribbean in chapter IV (subprogramme 423), he noted that in 1992 Ecuador had carried out a sectoral programme on agro-industry financed by the Government of France, and he thanked that Government for the assistance provided. Ecuador was reforming its legislation to promote industrial investment by simplifying the procedures relating to investment by foreign countries.

37. The recent changes in world events had significantly affected industrial activities. The sluggishness of economies in the developed countries, high rates of interest, the growing tendency towards protectionism and the institution of tax barriers, and reduced allocations to official development assistance on the part of developed market economies did not add up to an encouraging picture. His delegation agreed with the Director-General on the need for a new Declaration as a basis for future UNIDO activities. In his delegation's view, however, such a Declaration should not wait until the next General Conference session, as the needs were too pressing.

38. In conclusion, he thanked the Secretariat staff for the sacrifices and intensive efforts they had made in 1992.

39. Mr. SALAS BARAHONA (Peru) expressed appreciation for the efforts made by the Director-General as reflected in document IDB.11/11. A number of important items had been mentioned in the Director-General's introductory statement (IDB.11/SR.1, paras. 14-25), including efforts to find new means of financing for UNIDO programmes and the identification of special credit lines for projects in specific areas.

40. Referring to the Regional Cooperation Programme for the Industrial Recovery of Latin America and the Caribbean, he expressed support for the work of the Secretariat, which had obviously taken into account a number of essential points from the consultations held with the Latin American region. He called on the Secretariat to continue its work with the purpose of carrying out all of the projects identified.

41. He thanked the donor countries that had made it possible to implement the regional programmes on industrial subcontracting and capital goods. At the same time, he appealed to all potential donors, States and international financial institutions to facilitate the rapid launching of other programmes, which would certainly have an impact on the industrial development of the region.

42. The success of the regional programme would be assured if efficient means were provided for communication between the Secretariat and the beneficiary and donor countries to ensure not only that there was constant follow-up of the evolution of each project, but also that actions were taken at all the necessary levels to ensure the financing of such projects.

43. With regard to development and the transfer of technology, his delegation believed that UNIDO should give priority to the use of advanced and appropriate technology for the industrialization of developing countries and the generation of domestic technology suited to the specific problems and conditions of the developing countries. Such actions should be supported by professional training, modernization of the productive apparatus and enhancement of national institutions.

44. Concerning industrial investment promotion, his delegation agreed that the establishment of an electronic database would help to improve the coordination of investment promotion activities between the offices involved in such activities, UNIDO's coordinating centres in the developing countries and the Organization's Headquarters. UNIDO's operational mechanisms should be revitalized to enable them to play a significant and supportive role within the Organization's new structure. Such an effort would improve UNIDO's linkages with the international market as it was structured today.

45. His delegation believed that the measures being applied to achieve administrative and financial restructuring could constitute effective responses to the Organization's needs, especially with respect to substantive activities. In addition to facilitating the modernization of UNIDO, they would help to restore the confidence of Member States in the Organization.

46. Mr. YIMER (Ethiopia) said that his delegation welcomed the comprehensive and valuable report by the Director-General detailing the activities of the Organization over the past year. Ethiopia was one of the least developed countries and UNIDO's assistance was of paramount importance to the success of its development efforts. It was therefore grateful for the substantial assistance provided by UNIDO over the years. The country was now undergoing a major socio-economic transformation and needed assistance more than ever before. Since the collapse of the military dictatorship and establishment of the transitional Government two years ago, Ethiopia had been following a market-oriented economic policy, contrasting with the command economy that had existed during the 17 years of military rule. Among the significant features of the economic policy for the transitional period were the dismantling of huge public corporations, the re-establishment of individual and autonomous factories, the privatization of publicly owned manufacturing plants, the rehabilitation of factories, and encouragement of private investment. UNIDO could play a significant role in Ethiopia's rehabilitation and reconstruction efforts.

47. His Government would work closely with UNIDO in the fulfilment of its pre-eminent function of promoting the industrialization of developing countries, particularly the least developed countries.

48. Concerning the organization of the staffing structure, he took note of the information in document IDB.11/CRP.4. The issue was a very important one, and there should be extensive consultation among the entire membership of UNIDO to ensure that a generally acceptable solution was found.

49. His country was prepared to cooperate fully with the new Director-General in the discharge of his heavy responsibilities as head of the Organization.

50. Mr. EZZAT (Egypt), speaking on behalf of the African Group and of his own delegation, said that the UNIDO Energy Programme should be seen in relation to the basic activity of industrial development, in particular with respect to the provision of alternative, ecologically suitable sources of energy for industrial use, the rational use of locally available sources of energy and the development of national expertise to apply and develop advanced technologies in that field. He commended the efforts of the Organization in that regard; further cooperation, in particular with respect to the development and implementation of the national programmes in preparation in Egypt, would be appreciated. However, priorities should be borne in mind and activities should be limited to supporting the basic activity of the Organization, which was industrial development. Duplication with other specialized agencies should be avoided He hoped that those concerns would be clearly expressed in any resolutions dealing with activities in areas such as energy or the environment, particularly in view of the financial crisis and the need to seek supplementary sources of funding. Otherwise, the energies of the Organization might be dissipated on areas far removed from its original mandate.

51. The success of UNIDO technical cooperation programmes and projects was a major indicator of the effectiveness of the Organization. Projects should be carefully evaluated and use made of the feedback from projects. Country studies should be coordinated with project formulation. At the project formulation stage, efforts should be focused on sustainability and the capacity of projects to contribute to national development plans. His delegation continued to feel that the efforts of the Secretariat in the area of technical cooperation were insufficient.

52. He commended the efforts of the Organization regarding investment promotion and expressed his country's need for greater cooperation with UNIDO in that field, in particular with respect to the preliminary steps of investment promotion. He noted with satisfaction the progress achieved in drawing up a framework for the implementation of the Special Programme for Industrial Development in the Arab Countries despite the inadequate staffing of the relevant Secretariat unit.

53. Finally, he commended the efforts made by the Secretariat in preparing for the eleventh meeting of the Conference of African Ministers of Industry, and in particular in coordinating with the relevant regional organizations and with UNDP. In that connection, he stressed his country's desire to play an effective role in implementing the programme of the Second Industrial Development Decade for Africa. Egypt hoped to maintain close cooperation with UNIDO, particularly in the area of technical cooperation among developing countries (TCDC).

54. Mr. RIANOM (Indonesia) expressed appreciation for the Director-General's annual report for 1992 (IDB.11/10). As shown in that report and in other documents before the Board, the Organization had been successful in a number of areas, including industrial investment, despite the financial difficulties encountered.

55. His delegation had noted with concern that UNIDO's implementation of technical cooperation in 1992 had declined by 8 per cent compared with the level for 1991. Despite the budget shortfall, however, UNIDO's technical cooperation assistance to developing countries should be maintained. His delegation was pleased to note that the Organization had been able to promote 194 investment projects in 1992 compared with 166 projects in 1991. Implementation of the Special Programme for the Industrial Development of Asia and the Pacific had largely remained on course with its objective of strengthening regional programmes and developing new ones, while ensuring that the special needs of the least developed countries were taken into account. The Secretariat should continue to play its catalytic role in exploring modalities for and strengthening regional cooperation in helping the least developed countries to improve the infrastructure of their economies.

56. Although he recognized that the prime responsibility for implementing economic and technical cooperation among developing countries lay with the developing countries themselves, continuing financial support from donor countries and international organizations was still needed. Indonesia wished to share its successes in implementing economic development with the least developed countries: accordingly, since 1992, it had offered a training programme on self-propelling growth schemes to such countries. Indonesia's commitment to technical cooperation among developing countries had been further reflected at the Tenth Conference of Heads of State or Government of Non-Aligned Countries, held in September 1992 in Jakarta. As Chairman of the Non-Aligned Movement for the next three years, Indonesia strongly advocated the acceleration of South-South cooperation as a means of enhancing self-reliance among developing countries. It wished to encourage UNIDO to contribute to the implementation of the South-South cooperation programmes of the Non-Aligned Movement.

57. He reiterated his delegation's support for UNIDO and the ongoing efforts of the Director-General to revitalize the Organization so that it could offer the highest quality of service in response to the requirements of developing countries. In an era of increasing recognition of the need for sustainable development, the role of UNIDO had to be constantly redefined. Industrialization, as a central instrument of development, must respond to the major emerging themes of development, and UNIDO could contribute greatly to sustainable development.

58. Mr. AL-NOWAISER (Saudi Arabia) said that his country attached particular importance to the transfer of appropriate industrial technologies to the developing and the least developed countries. He would have liked the annual report (IDB.11/10) to include a clear and concise review of the strategy concerning the transfer of technology, as well as information on UNIDO activities in that field, in particular with regard to cooperation with the private sector and the drawing up of clear-cut programmes of technical cooperation with the developing countries and guidelines for the development of industrialization in those countries, within the limits of the financial resources of UNIDO.

59. He stressed the importance of cooperation with other international organizations in the field of energy and energy supply and demand policies, to help the developing countries to meet their energy requirements. He also drew attention to the importance of enhancing cooperation in the fields of transfer of technology and training. In that connection, his delegation supported cooperation between UNIDO and the Arab Industrial Development and Mining Organization (AIDMO) in the preparation of manufacturing profiles of energy equipment for use by the electrical industry.

60. He regretted the limited attention devoted by UNIDO to technical cooperation in the Middle East region; most of the countries in that region were in need of the transfer of technology. He also regretted the 18.7 per cent decline in the value of projects executed in the Arab world in 1992 as compared with 1991. He urged the Secretariat to devote attention to the Special Programme for Industrial Development in the Arab Countries and to strengthen the corresponding Secretariat unit. He hoped that the Director-General would take the Programme into consideration in implementing the priorities of the medium-term plan.

61. Mr. DE MARIA Y CAMPOS (Director-General) replying to questions raised in the debate, said that he had listened with great interest to the views expressed by Member States on the work of UNIDO over the past year. He hoped that the positive tenor of the debate could be taken as reflecting confidence in the Secretariat's ability to achieve results despite the adverse circumstances facing Member States and the Organization.

62. Many comments had been made on the subject of environment and energy. UNIDO had been increasingly active in that field and had undertaken many projects, but it was only recently that a comprehensive programme had been drawn up by the Task Force on Environment and the Environment Coordination Unit in the Department for Programme and Project Development. The good results achieved had enabled considerable new financial resources to be mobilized. The greatest challenge was now to strengthen the programme, not only in terms of financial resources but also in terms of human resources, to make it possible to cope with the increasing demand from developing countries and from economies in transition.

63. One problem was that UNIDO had been late in obtaining a clear mandate in some areas. He would therefore encourage Member States, for example, to adopt a resolution giving UNIDO a mandate in implementation of Agenda 21.

64. As far as the System of Consultations was concerned, considerable thought was necessary on how to update it to meet the requirements of Member States and strengthen it as a means of communication. The System of Consultations was one of the areas being studied very carefully by the Task Force on Priorities and Structural Reform of UNIDO. Efforts should be made to ensure that the various industrial development agents, in particular the private sector, which had become the engine of industrial development in most developing countries, participated in the Consultations. It was also important to ensure coordination with other areas, such as investment promotion, and with those in the Department of Industrial Operations dealing with specific sectors. The Secretariat was endeavouring to improve that coordination and to make better use of in-house capacity. There had been a reduction in resources as part of the effort to cut administrative and coordination costs. Consultations at regional level had an important role to play in bringing UNIDO closer to the developing countries it served. It was true that one regional Consultation had not been held in the region concerned. Circumstances had made it impossible for the Regional Consultation on the Petrochemical Industry in the Arab Countries to be held in Jordan as originally planned, and the meeting had been convened in Innsbruck, Austria, at the kind invitation of the authorities concerned. A Workshop on Quality and Hygiene Regulations in the Fisheries Industry, following up the Regional Consultation on the Fisheries Industry for Asia and the Pacific Island Countries, had been held in the Shetland Islands, United Kingdom, but that was also a special case. He fully agreed that regional meetings should take place in the regions involved.

65. He agreed as to the importance of ECDC/TCDC: the Task Force was giving special attention to that matter. It was true that available resources had not allowed the Economic Cooperation among Developing Countries Section to be supported as in the past, but the fact was that coordinating units could become an administrative burden; what was needed was a comprehensive programme. It was also important that the work of any unit should have the necessary upstream or downstream effects in the Organization, to ensure that investment promotion and technical cooperation took place as a result of the programmes. It was important to think about new initiatives and ideas in the area of cooperation among developing countries, and he welcomed the efforts that were being made by some developing countries to establish trust funds or investment promotion centres directed not only towards attracting resources to the developing country concerned but also towards enabling the developing country itself to play a role in assisting less developed countries or cooperating with other developing countries.

66. Many of the comments made had to do with the fact that the Secretariat was having to face increasing needs with reduced resources. It was necessary to look at ways of mobilizing financial resources to enable UNIDO to play a more meaningful role. Good communication with both developing and developed countries was needed to ensure that all Member States could enhance their contribution to UNIDO, and to convince them that UNIDO was playing a relevant role for them. Efforts were being made to consult the different regions with a view to developing a good programme of work.

67. There had been comments by Arab States regarding assistance to the Palestinian people. The role being played by UNIDO had been recognized; he would just confirm that UNIDO would continue to pursue its programme according to its mandate, with the help of donors. In present circumstances it would be hard to envisage having an administrative unit to deal with assistance to the Palestinian people. He looked forward to a time when increased resources would permit a stronger administrative infrastructure to support developing countries in all regions of the world.

68. Ms. TCHEKNAVORIAN-ASENBAUER (Officer-in-Charge, Department of Industrial Operations), replying to questions raised by the Board on issues of energy and environment, said that UNIDO's energy and environment programme had great potential. She agreed that activities in that area must be integrated into industrial development as a whole. The programme had many projects dealing with new and renewable sources of energy. Once a project had been assessed for its technical and economic viability, it was a matter of seeking the investment and ensuring that there was capacity to produce locally the equipment and services required. One example was a wind energy project in Egypt, undertaken with the help of Danish companies expert in the field, which was now producing electricity for a desalination plant, using turbines produced in Egypt.

69. As for coordination between UNIDO and other agencies on the question of energy, she said there was excellent cooperation with the World Bank regarding climate change and the Global Environment Facility, and with UNDP regarding Capacity 21. The "Vienna Four" - UNIDO, IAEA, OPEC and the International Institute for Applied Systems Analysis (IIASA) - had established very close cooperation and a work programme for matters of policy regarding the supply and demand aspects of energy, which would enhance their capacity to assist the developing countries. The four organizations had harmonized their information base, and were cooperating in seeking ways of improving their capacity to deliver.

70. Turning to UNIDO's environment programme, she said that the Organization was the only one in the United Nations system which had close links with industry, industrial institutions and chambers of commerce, and was therefore the only one capable of translating global environment policies into national industrial policies. It was hoped that the UNIDO project in Egypt for the phasing out of chlorofluorocarbons (CFCs), which had just been approved for $1 million, could be successfully implemented. In addition UNIDO, as requested by the Fund, had presented a three-year programme for 1994-1996 which foresaw $40 million for UNIDO to implement in that area.

71. With regard to UNIDO's follow-up activities to the United Nations Conference on Environment and Development (UNCED), she said that the Commission on Sustainable Development (CSD) had decided to take action in the area of the transfer of environmentally sound technology. The Commission supported the establishment of sound technology centres, and intended to make contact with intergovernmental bodies concerned, such as UNIDO, with a view to collaborative arrangements in that area. Agenda 21 would become one of the basic documents of UNIDO.

72. Finally, she listed the UNIDO projects in the area of environment and energy, noting that in 1992 they had represented 25 per cent of the entire technical cooperation programme, compared with 5 per cent five years before.

73. Mr. BEHRENS (Deputy Director-General, Department for Programme and Project Development), with reference to the quality of UNIDO's technical assistance projects, welcomed the support expressed for the application of the logical framework approach and target-oriented project planning. In May 1993, a systematic training programme had been initiated to enable staff to apply those techniques. There was continuing cooperation with the German Agency for Technical Cooperation (GTZ) and UNDP to develop those concepts for the benefit of UNIDO and for the benefit of the countries of the third world. Relevance, cost-effectiveness and sustainability were the issues for project evaluation and appraisal. Cost-effectiveness not only meant the implementation of projects in the most cost-effective manner in the field; for the Secretariat, the introduction of a screening mechanism in 1993 would allow projects to be carefully screened prior to their development and their submission to donors. Scarce human resources would then be concentrated on projects that had a chance of being funded by donors and subsequently being successfully implemented and sustained in the recipient countries.

74. With regard to cooperation among developing countries, he wished to add a few thoughts. Such cooperation would be intensified, as suggested by a number of delegations, but not necessarily by increasing staff resources. The concept of ECDC should be seen as an integral part of UNIDO's activities. For example, the System of Consultations, Technology Development and Promotion and Industrial Operations Technology Divisions had been cooperating in a number of ECDC activities. Many of the projects and programmes being carried out had built-in ECDC components and that important feature would be maintained in the future.

75. With regard to the UNIDO Country Director programme, he welcomed the comments made by the representative of UNDP regarding the difficulties faced by its Governing Council in obtaining funding for the current cycle and the implications of that for the executing agencies, particularly with regard to the delay in some of the most important aspects of the successor arrangements, which had caused agencies a loss in income and forced UNIDO to continuously review the income projections for the current year and the coming biennium in order to ensure that the financial resources were available to run the Organization. Efforts were being made to mobilize new funds, outside the traditional funding sources.

76. Mr. OBMINSKI (Deputy Director-General, Department for Industrial Promotion, Consultations and Technology) said that many delegations had expressed interest in the question of investment promotion. The promotional activities represented a comparative advantage for UNIDO. Firstly, UNIDO had no vested interests, and was supporting developing countries in all negotiations. Secondly, UNIDO was supporting small and medium enterprises in developing countries. Thirdly, investment promotion meetings had their own specific features which set them apart from other meetings. Without good projects, money would be wasted. That was why UNIDO tried to make a very careful evaluation of projects before holding investment promotion forums. It meant that participants would receive project proposals before the meetings which would enable them to preselect partners for further contacts. In general the Department had about 10 per cent of UNIDO's budget and generated almost 30 per cent of all technical cooperation delivery. However, the problem of financing the projects remained very acute. The situation was complicated by the need to attract extrabudgetary resources for programmes in developing countries and particularly for economies in transition. The

example of Belarus, whose representatives had approached the World Bank with a request that UNIDO should be made one of the main agents in the execution of its loans, could perhaps be followed. The countries of Eastern and Central Europe that were now in a difficult position could apply for resources from international financial institutions for UNIDO activities. UNIDO could then be very helpful to the organizations involved, but the initiative should come from the national Governments.

77. UNIDO was strengthening its network of Investment Promotion Service offices and conducting negotiations on the opening of such offices in more than 20 additional countries. Countries wanted to be included in the network and use UNIDO's data banks in the search for good investors for projects. UNIDO's role could be crucial - particularly for small and medium enterprises, because large enterprises did not really need UNIDO as they had their own consulting capabilities and negotiators. It was also necessary to help economies in transition to privatize their technological capabilities. UNIDO already had experience and expertise in that field. It was important that no technological capability be wasted, wherever it was located.

78. His Department also included the System of Consultations Division. The System of Consultations could be an important element of promotional activities and an aid in identifying the competitive edge of developing countries.

79. Mr. WOTAVA (Austria) said that UNIDO should respond vigorously to Agenda 21. Ms. Icheknavorian-Asenbauer and Mr. Behrens had pointed out the importance of the area of sustainable development, in which UNIDO was already involved to a considerable degree. He wondered whether the Board should take a decision on that subject; the other specialized agencies had already taken such decisions. UNIDO had been very active in the preparations for the United Nations Conference on Environment and Development, and should participate in the follow-up process.

80. Ms. TCHEKNAVORIAN-ASENBAUER (Officer-in Charge, Department of Industrial Operations) agreed that such a specific decision would be very important in strengthening UNIDO's activities.

PARTICIPATION OF UNIDO IN INTERNATIONAL COOPERATION TO STUDY AND MITIGATE THE CONSEQUENCES OF THE CHERNOBYL ACCIDENT (IDB.11/8)

81. Mr. BEHRENS (Deputy Director-General, Department for Programme and Project Development), introducing the agenda item, said that while UNIDO's contribution to international cooperation to study and mitigate the consequences of the Chernobyl accident had been modest because of limited financial resources, its interest had been demonstrated by its participation in the Ad Hoc Inter-agency Task Force on Chernobyl and its preparation of an industrial survey of the three republics affected by the accident, and of the consequences of the accident for their economic activities. The survey was of paramount importance in identifying priority requirements in economic rehabilitation in such fields as building materials and construction, food processing and packaging, small-scale industrial development and investment promotion. Implementation of the project depended upon the mobilization of financial resources, and the cost was estimated at $ 474,000.

82. The United Nations Coordinator of International Cooperation for Chernobyl, Mr. Eliasson, had recently advised UNIDO that the future efforts of the United Nations would be based on priority projects and realistic time frames, rather than on the large-scale comprehensive 1991 Joint Plan. He had also emphasized the need for a flexible funding strategy, and had said that the United Nations system agencies should include a Chernobyl item in their regular programmes of activities, and allocate financial resources in their budgets. The United Nations system was clearly adopting a more vigorous and flexible approach, and was encouraging the agencies to promote their own programmes and projects to that end.

83. Mr. SKRIPKA (Russian Federation) said that the consequences of the Chernobyl accident were still being felt; traces of radioactive contamination from Chernobyl were still appearing in 16 administrative regions, including St. Petersburg and Yekaterinburg, and the Republic of Mordovia. According to measurements taken on 1 January 1993, more than 56,000 km^2 of the territory of the Russian Federation, with a population of 2.7 million, were contaminated with caesium 137 at a level of 1 curie per square kilometre or higher.

84. In October 1992 the Government of the Russian Federation had adopted a programme to protect its population from the consequences of the Chernobyl tragedy in the period 1992-1995 and the period up to the year 2000. A law had been passed on the social protection of citizens who had suffered the effects of radiation as a result of the Chernobyl accident. In 1990-1992 some 30,000 people had been resettled from contaminated territories, and in 1992 3,000 people who had taken part in the efforts to deal with the emergency had been treated in the All-Russian Centre for Environmental Medicine. A special socio-environmental weekly entitled "Russian Chernobyl" was being published in order to keep those living in the affected territories informed.

85. Cooperation between Russia and other countries was growing. Russian and German experts were carrying out measurements in the affected territories, and in 1991-1992 they had seen about 200,000 people. Efforts to overcome the consequences of the Chernobyl accident had a genuinely international significance, since the tragedy itself had an international dimension. It was impossible to deal with the problem alone, and multilateral cooperation, with the coordinating role of the United Nations, was vital. It was encouraging that the problem of Chernobyl was now firmly in the sphere of activity of the United Nations system and by virtue of its unprecedented character had a special place on the socio-economic agenda of the United Nations.

86. His delegation had noted with satisfaction the report by the Director-General (IDB.11/8) which set out the specific measures which UNIDO was taking to mitigate the consequences of the Chernobyl accident. The Russian Federation particularly valued the Organization's initiative in preparing a survey of the industrial sectors of the three States affected by the accident. Unfortunately, in practical terms nothing had been done because of a lack of financial resources. His delegation hoped that the present session of the Board would give a new impulse to those UNIDO activities when it came to consider the draft resolution on Chernobyl which

had been prepared by the Russian Federation, Belarus, Kyrgyzstan and Ukraine, and had taken account of the communiqué issued after the talks at Minsk, Belarus, on 26 May 1993 between Belarus, the Russian Federation, Ukraine and the United Nations Coordinator of International Cooperation for Chernobyl, which had called for the inclusion of the Chernobyl problem in the regular activities of the agencies of the United Nations system.

87. Mr. MATJUSHEVSKI (Belarus) said that seven years had elapsed since the Chernobyl accident, which had directly or indirectly affected the fates of millions of people throughout the world. It was precisely for that reason that joint efforts by the world community to minimize the consequences of the accident and to organize assistance to the countries that had suffered most, in the forefront of which was Belarus, must be intensified. The losses to be borne by Belarus from 1986 to the year 2015 had been calculated by domestic and foreign experts at around 20 times the country's annual budget. To Belarus's great misfortune, optimistic estimates were not holding true and the effects of the accident were not diminishing with time: in a number of respects they were drastically worsening. Diseases of the circulatory system and other organs and inherited diseases had significantly increased, affecting children in particular.

88. It was regrettable that practical efforts by the United Nations to implement the relevant General Assembly resolutions did little to solve the Chernobyl problem. Contributions to the Chernobyl Trust Fund amounted to around $ 1 million. Commitments of bilateral resources totalled around $ 8 million. Yet to carry out the proposed 131 projects, nearly $ 650 million was required. Many of those projects were directly within UNIDO's sphere of competence, including the construction of housing and the generation of jobs and infrastructure. His country counted on UNIDO's assistance in mobilizing funds, including special-purpose grants from donor countries, to carry out such projects. It should be stressed that bilateral and multilateral economic cooperation with developed countries would facilitate the implementation of such projects as an integral part of national programmes for industrial development. It was to be hoped that the visit to Minsk of the United Nations Coordinator of International Cooperation for Chernobyl and the holding of negotiations on the Chernobyl problem between the Governments of Belarus, the Russian Federation and Ukraine would help to revive interest in the problem.

89. Belarus's yearly expenditure on measures connected with liquidating merely the direct consequences of the Chernobyl accident amounted to around 6 per cent of GDP, and his Government appealed to UNIDO for assistance in finding additional advantageous sources of financing for its projects, including those aimed at organizing the production of medical apparatus and instruments and provision of uncontaminated food products, particularly children's foodstuffs.

90. His Government was devoting every effort to mitigating the consequences of the Chernobyl accident, but Belarus had the right to expect morefrom the international community and its specialized agencies than a mere formal acknowledgement of the problem. His delegation called on all members of the Board to support the important draft resolution on Chernobyl.

91. Mr. KOSTENKO (Observer for Ukraine) said that, of the 131 proposed projects under the joint plan of international cooperation to alleviate the effects of the Chernobyl accident, UNIDO had identified more than 30 which it could implement under its mandate. UNIDO's initiative in preparing an industrial survey of the three countries affected by the Chernobyl accident deserved to be supported, as did the other priority projects selected by UNIDO which were listed in paragraph 6 of the Director-General's report (IDB.11/8). He also welcomed the fact that at its recent Geneva meeting the Ad Hoc Inter-agency Task Force had endorsed the UNIDO project on the industrial survey.

92. However, none of the above-mentioned projects and initiatives had been implemented due to a lack of the necessary financial support. The Secretariat had done all it could to contribute to the solution of the Chernobyl problem, but the Task Force had not provided the money. It should have been borne in mind that UNIDO had its own Industrial Investment Division with a wide investment promotion network around the world, which sought sponsers for investment projects; there was also a unit concerned with the mobilization of funds, and if the Secretariat had used all available mechanisms the Board would not be looking at a list of unimplemented initiatives but at a list of implemented projects.

93. Mr. SOULTANOV (Observer for Kyrgyzstan) said that the Chernobyl accident had been one of the most serious environmental accidents in the history of mankind, and had occurred when the co-sponsors of the draft resolution lived in a single State, the Union of Soviet Socialist Republics. People from Kyrgyzstan had taken part in the efforts to liquidate the consequences of the Chernobyl accident, and it was his moral duty to speak in support of the draft resolution, and to call on members of the Board to give it their support.

94. Mr. BEHRENS (Deputy Director-General, Department for Programme and Project Development) said it was difficult to give a satisfactory reply to the points that had been raised by the previous speakers. Urgent measures were certainly required, but the international community had been unable to provide UNIDO with the means to fund its survey. The Secretariat would make further efforts to negotiate with potential donors, who might reconsider their positions now that they had heard the speakers from the affected region.

The meeting rose at 6.20 p.m.

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United Nations Industrial Development Organization

Industrial Development Board

Eleventh session

SUMMARY RECORD OF THE 4th MEETING

Held at the Vienna International Centre, Vienna,
on Wednesday, 30 June 1993, at 10 a.m.

President: Mrs. MACHADO QUINTELLA (Brazil)

CONTENTS

Agenda item		Paragraphs	Agenda item		Paragraphs
6	Report of the Programme and Budget Committee:	1 - 81	(e)	Working Capital Fund	
	(a) Scale of assessments		(f)	Joint United Nations/UNIDO Conference Service	
	(b) Interim financial performance report and programme performance report		(g)	Appointment of External Auditor	
	(c) Programme and budgets, 1994-1995		(h)	Electronic data-processing programme	
	(d) Industrial Development fund and other voluntary contributions		(i)	UNIDO Country Director programme	
			(j)	Financial situation of UNIDO	

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The meeting was called to order at 10.25 a.m.

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE (IDB.11/15; IDB.11/2/Rev.1/Add.1, chap. III)

(a) SCALE OF ASSESSMENTS (IDB.11/5 and Add.1)

(b) INTERIM FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT (PBC.9/7 and Corr.1; IDB.11/10)

(c) PROGRAMME AND BUDGETS, 1994-1995 (IDB.11/2/Rev.1 and Add.1)

(d) INDUSTRIAL DEVELOPMENT FUND AND OTHER VOLUNTARY CONTRIBUTIONS (IDB.11/4, IDB.11/10, chap. III, paras. 129-137, and appendix G; PBC.9/CRP.1)

(e) WORKING CAPITAL FUND (IDB.11/3, IDB.11/6, annex II; IDB.11/6/Add.1, annex II)

(f) JOINT UNITED NATIONS/UNIDO CONFERENCE SERVICE (IDB.11/21)

(g) APPOINTMENT OF EXTERNAL AUDITOR (IDB.11/22)

(h) ELECTRONIC DATA-PROCESSING PROGRAMME (IDB.11/23)

(i) UNIDO COUNTRY DIRECTOR PROGRAMME (IDB.11/7)

(j) FINANCIAL SITUATION OF UNIDO (IDB.11/6 and Add.1)

1. The PRESIDENT reminded the Board that the debate was expected to cover all of sub-items (a) to (j).

2. Mr. WARNER (Deputy Director-General, Department of Administration) said that the documentation on item 6 might be considered in two parts. The first consisted of document IDB.11/15, which contained the report of the Programme and Budget Committee on its ninth session. The Committee's report on its resumed ninth session would be issued as document IDB.11/15/Add.1; for the time being, the conclusion it had adopted on the Director-General's second set of revised proposals for the programme and budgets, 1994-1995 would be found in chapter III of document IDB.11/2/Rev.1/Add.1.

3. The second part concerned items discussed by the Programme and Budget Committee which required follow-up by the Secretariat. Document IDB.11/6/Add.1 updated information on some important issues identified in the report by the Director-General on the financial situation of UNIDO (IDB.11/6), including the status, as of 10 June 1993, of assessed contributions to the regular budget and advances to the Working Capital Fund, an updated cash flow analysis for 1993, and a review of the plan of action for the regular and operational budgets. On 10 June 1993, unpaid assessed contributions to the regular budget for the period 1986 to 1992 had amounted to $35.9 million and unpaid assessed contributions for the first five and a half months of 1993 had amounted to some $53.1 million, the total of $89 million representing about 89 per cent of current assessments. The 1993 collection rate as of 10 June 1993 had been 47.3 per cent, compared to 41 per cent at the same point in 1992. Since the issuance of the 10 June 1993 status of assessed contributions, Ethiopia, Ukraine, Mexico, the Russian Federation and Trinidad and Tobago had made partial payments amounting to some $2.7 million. Notwithstanding the slight improvement in the collection rate, the overall financial situation of the Organization required the Secretariat to maintain cost control measures, particularly for administrative and general operating costs.

4. The report in document IDB.11/6/Add.1 also described the financial impact on the operational budget of the continued decline in technical cooperation activities, the consequent reductions in income estimates, and the projected operational budget deficit for 1993. Finally, it updated the plan of action outlined in document IDB.11/6; in response to the deepening crisis in the operational budget, it emphasized the need to reduce staffing levels rapidly in order to stabilize the financial situation of the Organization. The planned adjustment in staffing levels took account of the need to redirect resource levels in order to prepare for possible structural reforms. Flexibility in the utilization of available resources was essential for resolving the financial issues facing UNIDO.

5. Document IDB.11/5/Add.1 updated the proposed scale of assessments for 1994-1995 to include four new Member States: Kyrgyzstan, Tajikistan, the Republic of Moldova and the Former Yugoslav Republic of Macedonia. No rate of assessment had yet been proposed by the United Nations Committee on Contributions for the last-named State. The updated scale also included provisional rates of assessment based on current available information for the Czech Republic and Slovakia. It would be adjusted before the fifth session of the General Conference to show approved rates for those two States and for the Former Yugoslav Republic of Macedonia, as well as any further changes necessary to reflect differences between the memberships of the United Nations and UNIDO.

6. Document IDB.11/21 provided updated information on arrangements for the joint United Nations/UNIDO conference service whereby UNIDO and the United Nations would review a business plan for the transfer of administrative responsibility for conference services from UNIDO to the United Nations Office at Vienna. Document IDB.11/22 presented two candidates for the post of UNIDO's External Auditor for a two-year period beginning on 1 July 1994. Document IDB.11/23 updated the information provided in document PBC.9/6 on the cost of implementing the electronic data-processing programme in the biennium 1992-1993. Lastly, document IDB.11/2/Rev.1/Add.1 presented the Director-General's second set of revised proposals for the programme and budgets, 1994-1995, referred to in paragraph 4 of the document dealing with the first set (IDB.11/2/Rev.1).

7. Mr. BEHRENS (Deputy Director-General, Department for Programme and Project Development) drew attention to the report on the Industrial Development Fund (IDF) (IDB.11/4), which represented the Organization's only programmable source of extraordinary budget funds. Through the Fund, Member States provided resources which enabled UNIDO to act on its mandate of assisting developing countries to industrialize their economies, and thereby achieve the sustainable development which could meet global challenges such as alleviating poverty and combating

environmental degradation. The report described how UNIDO was using IDF-financed projects to respond to those challenges.

8. The financial situation of the UNIDO Country Director (UCD) programme was dealt with in document IDB.11/7. Measures had been taken in 1993 to preserve the maximum number of UCD offices consistent with available financial resources. With the agreement of the UNDP Governing Council, the UNDP sectoral support funds had been rephased so as to adjust the yearly allocations to cover actual costs for 1991 and 1992. The Programme and Budget Committee had requested the Director-General to continue negotiations with UNDP aimed at securing resources that would enable the present number of UCD offices to be maintained. In 1994 the Governing Council of UNDP would review the sectoral support allocation for the fifth programming cycle and make the necessary adjustments to the allocations for 1995 and 1996. However, since UNDP was itself facing a severe financial crisis, additional funding was unlikely to become available from it in the coming years, and a drop from 20 posts in 1993 to 12 posts in 1994 and 11 in 1995 and 1996 would therefore have to be envisaged. That being so, it was proposed that 10 UCD posts should be maintained under the operational budget and that UCD functions should be added to the three Regional Adviser posts financed from the regular budget.

9. UNIDO would follow very closely the negotiations on the unified field representation of the United Nations, to be considered by the Economic and Social Council in 1995, in order to plan its modified representation scheme in accordance with the new arrangements. Regrettably, no voluntary contributions to the UCD programme had yet been received. He reiterated his appeal to the Members of UNIDO to consider that option as a means of avoiding a further reduction in UNIDO's field representation and presence. It was, however, encouraging that several host Governments had contributed to local operating costs and that others were seriously considering doing so. A special fund-raising activity had been initiated with that in view.

10. With regard to the idea that UCD offices might be financed from the indicative planning figure of the host country, that was entirely a matter for the host country concerned and UNDP. UNIDO's field representation was the most valuable tool for strengthening its activities in developing countries. It received strong protests from UNDP and the host Government whenever it suggested the suspension or closure of a UCD office; not only that, there was a clear demand for additional offices. The only way of offsetting the loss of Country Director posts might be to reassign Headquarters posts.

11. Mr. HULSE (United Kingdom) said that his delegation strongly supported the decisions taken at the ninth session of the Programme and Budget Committee. On sub-item (a), it welcomed the recent admission to the Organization of Tajikistan, Kyrgyzstan, the Republic of Moldova and the Former Yugoslav Republic of Macedonia, and hoped that by the time the General Assembly approved the United Nations scale of assessments, more States Members of the United Nations would also have become Members of UNIDO. Regarding the programme and budgets for 1994-1995, his delegation commended for adoption by the Board the conclusion adopted by the Programme and Budget Committee at its resumed ninth session.

12. His delegation fully supported the Director-General in his efforts to stabilize the Organization's financial situation by reallocating available financial and staff resources within the Secretariat. The plan of action described in document IDB.11/6/Add.1 seemed not only sensible but absolutely necessary if UNIDO was to carry out structural and other reforms with reduced resources. It was regrettable that staff reductions might have to exceed those attainable through normal attrition; if enforced separations became necessary, his delegation hoped that the Director-General, while having due regard to the criterion of wide and equitable geographical representation, would be guided primarily by the paramount consideration of having staff who could work to the highest standards of efficiency, competence and integrity, as called for in Article 11.5 of the Constitution.

13. Mr. HELLER (Mexico) welcomed the tendency recently shown by Member States to contribute to the regular budget on a more timely basis. However, that did not resolve the precarious financial situation caused by the accumulation of unpaid assessed contributions since 1986. All Member States should discharge their financial obligations punctually so that the Organization could implement the programmes which they had entrusted to it.

14. In the reduction and redeployment of staff, due account must be taken of the rules and regulations of UNIDO and of the need to achieve the flexibility necessary for completing the structural reform of the Organization. His delegation considered that the programme and budget proposals for the biennium 1994-1995 responded satisfactorily to the mandate set forth in conclusion 93/4 of the Programme and Budget Committee, particularly with regard to the ceiling imposed on the regular budget and the maintenance of the Organization's operational capacity for technical cooperation. Administrative expenditure should be reduced in favour of technical cooperation activities, including technology transfer, training of human resources and support for the creation, modernization and overhaul of industries in developing countries. His delegation supported the revised proposals of the Director-General in that regard and recommended their adoption by the Board. The 1994-1995 budget process would not end with the adoption of the Director-General's proposals but would continue with the consideration of the budgetary reallocations resulting from the proposals awaited from the Director-General for reform of the Organization's structure and staff. Future reallocations of resources between departments should not be such as to have a financial effect on the budget.

15. With regard to the Industrial Development Fund, his delegation was concerned that, as a result of conditions imposed by donors and the restrictions inherent in contributions which were made in non-convertible currencies, only the limited general-purpose segment of the Fund was freely programmable. Contributors should increase the volume of resources available to the Fund, and in particular to its general-purpose segment. No conditions should be attached to contributions and the restrictions on the use of its resources for the purchase of equipment and machinery should be lifted.

16. As far as the UNIDO Country Director programme was concerned, his delegation advocated closer interaction between Country Directors,

national authorities and the industrial sector, as well as a strengthening of their activities in developing UNIDO's capacity to respond to changing conditions in areas such as human resource development, industrial competitiveness, new technologies, quality safeguards, entrepreneurial development and measures to combat poverty and industrial pollution.

17. Mrs. OK (Turkey) noted the statement by the Director-General in document IDB.11/6/Add.1 that, provided the improved pattern of payments to the Organization continued, there might be no cash shortfalls under the regular budget. Nevertheless, her delegation urged him to reduce and closely monitor the extraordinarily high level of general operating and travel costs, particularly for senior staff, and the costs of external consultancy experts. In her delegation's view, consultancy needs should be met by retraining the Organization's own staff. With regard to the operational budget, even the Director-General's pessimistic estimates seemed unrealistic. She called for a more realistic assessment of operational budget income for 1993, and also for 1994-1995. The Board should swiftly authorize the Director-General to take the necessary steps to reduce staff costs, to reform the structure of the Organization and to increase its efficiency in order to halt the slow-down in technical cooperation activities.

18. Her delegation hoped that the transfer of UNIDO's language and documentation services to the United Nations would take place at the very latest before the end of 1993. Another structural proposal which would increase efficiency and reduce expenditure would be the merging of Consultations and investment promotion activities.

19. Regarding the financing of UNIDO's field representation, her delegation shared the view of the Secretariat that, as extrabudgetary and operational budget resources were diminishing, the Organization had no alternative but to draw on its regular budget in order to maintain its field presence at the current level. Her delegation believed that could be done through permanent or temporary redeployment of posts to the field during the restructuring process. Operational budget resources, if available, might continue to be used to finance part of UNIDO's field presence. Furthermore, UNIDO Country Director office structures should be reviewed. The offices would benefit enormously from the services of a national officer with a sound knowledge of the country in question. If the Board wished to entrust field representatives with additional tasks, such as direct advisory services or support to national country strategies, their staff should be strengthened along the lines suggested by the Secretariat.

20. In conclusion, she raised the issue of the appearance of Yugoslavia in the list of assessed contributions to the regular budget for 1994-1995 (document IDB.11/2/Rev.1/Add.1, p. 27). UNIDO was an independent specialized agency with its own board of governors and General Conference and its decisions were taken by those two organs. On 30 March 1993 a special session of the General Conference had adopted a resolution (GC/S.1/Res.1) in which it had considered that the Federal Republic of Yugoslavia (Serbia and Montenegro) could not continue automatically the membership of the former Socialist Federal Republic of Yugoslavia in UNIDO, and had decided that the Federal Republic of Yugoslavia (Serbia and Montenegro) should apply for membership in UNIDO pursuant to article 3 of the Constitution, and that it would not participate in the work of the Programme and Budget Committee, the Industrial Development Board and the General Conference. That being so, the Secretariat's inclusion of Yugoslavia in the list of assessed contributions was incomprehensible to her delegation, as was the meaning of the final sentence of paragraph 12 of document IDB.11/6. She requested the Secretariat, through the President, to make the necessary corrections to that document and to provide a comprehensible explanation of why the clear-cut decision taken by the General Conference on 30 March 1993 had not been taken into consideration at the beginning.

21. Mr. FONTES BRAGA (Brazil) commended the Director-General for his efforts to achieve budgetary reductions. His Government was prepared to approve a net regular budget for 1994-1995 of $196,924,600 and a net operational budget of $35,222,400. Under the proposed scale of assessments for 1994-1995, Brazil's contribution to the budget would increase by more than 40 per cent from the level at which it had stood in the 1990-1991 biennium. That was the result of three factors: the increase in the scale of assessment of Brazil in the United Nations budget by almost 10 per cent, a figure which did not reflect the performance of the Brazilian economy; the fact that, after the dissolution of the former Soviet Union; not all of the newly independent republics to which that had given rise had become Members of UNIDO and the share of the 10 republics which had done so was less than that of the former Soviet Union; and the withdrawal of Canada from the Organization, which had the effect of raising Brazil's scale of assessment. However, he was well aware that the scale of assessments mirrored decisions taken in New York.

22. He was sure that Member States would make every effort to pay their arrears of contributions to UNIDO and was gratified that the amount of arrears had fallen.

23. Mr. RUSINSKI (Observer for Poland) said that his Government was one of those which were not ready to accept the idea of a mechanical distribution of the shortfall in income caused by the withdrawal of one major Member from the Organization, and which had therefore requested the preparation of a new, leaner budget proposal. He welcomed the second set of revised proposals submitted to the Board as a major step in that direction, especially for its emphasis on economies in administrative support services. A greater use of in-house expertise would contribute to better use of human resources in the Secretariat. His delegation also welcomed the downward revision of the income estimate for the operational budget. In order for Poland to meet the increase of almost 17 per cent which had taken place in its assessed contribution since the 1992-1993 biennium, it would have to save at home, among other things by economizing on social welfare expenditure. His Government was nevertheless ready to endorse the proposed programme and budgets of UNIDO, but only as a first step towards a revitalized Organization that served the most pressing needs of its Members and was efficiently managed, robust and flexible.

24. Mr. ARIAS-SALGADO (Spain) said that his delegation saw the Director-General's proposals as a major effort to balance the budget and establish a proper relationship between income and expenditure. However, the reduction in the budgets was not sufficient to achieve zero real growth in the 1994-1995 biennium by comparison with the previous biennium. His delegation hoped that the measures announced by the Director-General in his statement at the opening meeting would result in strict adherence to the principle of zero real growth. It believed that the proposal for the temporary suspension of financial regulations 4.2 (b) and 4.2 (c) with respect to the 1990-1991 biennium, so as to allow the non-budgetary allocation of the unutilized balances reported in document PBC.9/7, was not in accordance with the principles of sound financial management which UNIDO should follow, and that it implied the unavailability to Members of possible reimbursements. His delegation therefore reserved its position on that proposal. However, it would not oppose the approval, without a vote, of the budget proposals submitted by the Programme and Budget Committee provided it was clearly understood that Spain would not make a final pronouncement on the draft budget until the fifth session of the General Conference.

25. Mr. WOTAVA (Austria) said that the Industrial Development Fund had become a very important source of project financing. Austria had contributed more than AS 20 million to the Fund - an amount higher than its contribution to the UNIDO budget - and would do its best to increase that amount.

26. He was glad to note that consultations were in hand regarding the transfer of administrative responsibility for conference services from UNIDO to UNOV. That move would enhance efficiency and economy.

27. He was concerned to see that the list of assessed contributions for the biennium 1994-1995 included Yugoslavia. His delegation shared the views expressed on that subject by the representative of Turkey. He asked the Secretariat to explain why it had included Yugoslavia in the list, thus ignoring the decision of the General Conference to exclude the Federal Republic of Yugoslavia (Serbia and Montenegro) from participation in the work of UNIDO's organs. Moreover, the inclusion of Yugoslavia in the list of assessed contributions should not be regarded as a precedent for recognizing the Federal Republic of Yugoslavia (Serbia and Montenegro) as a successor State to the former Socialist Federal Republic of Yugoslavia.

28. He noted that the revised budget for 1994-1995 provided for a reduction in the number of posts in the UNIDO Secretariat. Even allowing for the fact that some posts were vacant, a number of staff members would undoubtedly lose their jobs. That was regrettable, not only from the point of view of the host country but also for the staff concerned, who had served the Organization loyally for many years. As representative of the host country, he appealed to the UNIDO management to do its utmost to mitigate the difficulties which separated staff would face from losing their jobs, owing to circumstances totally beyond their control. He was sure that his appeal would not go unheeded by the Director-General and other leading UNIDO officials.

29. Mr. KOROLEV (Belarus) said that, in the proposed scale of assessments for contributions to the regular budget, his country's contribution had been raised by a factor of 1.5, from 0.31 to 0.51 per cent. Belarus had serious objections to that increase, which was not in keeping with its status as a founder Member of the United Nations or with its present capacity to pay. The methodology used for the calculation of the new scale, adopted by the General Assembly at its forty-seventh session, had been based on a simplified and mechanical approach. The data employed in the calculations had been statistics for the Byelorussian Soviet Socialist Republic, whose economy had been part and parcel of that of the former Soviet Union. Those figures bore no relation to his country's present economic situation, which was seriously affected by the consequences of the Chernobyl accident, the lack of natural energy resources and raw materials, the breakdown of ties with the other republics of the former Soviet Union, the introduction of radical economic and political reforms and the transition to a market economy. In those circumstances Belarus had been unable to pay its contribution to UNIDO for the past two years and could not agree to the proposed increase, which would have an adverse effect on its participation in the activities of the Organization.

30. Mr. CHEN Shiqiu (China) said that his delegation could agree to the submission of the newly revised programme and budgets for 1994-1995 to the fifth session of the General Conference, even though the proposals did not represent the best choice. He hoped that the work of major departments of UNIDO would not be adversely affected by the proposed reductions and that the situation would substantially improve in the forthcoming biennium. With regard to the scale of assessments for contributions to the regular budget, his delegation trusted that the Secretariat would make the necessary adjustments before the fifth session of the General Conference on the basis of Article 15.2 of the UNIDO Constitution and in accordance with the United Nations scale of assessments. The difficult financial situation of UNIDO had not improved substantially, because many Member States did not pay their assessed contributions on time. He hoped that UNIDO, under its new leadership, would become more efficient and speed up the restructuring process, so as to enhance the confidence of Member States in its abilities

31. Mr. PRODAN (Observer for Ukraine) said he could not agree with Programme and Budget Committee conclusion 93/5, on the scale of assessments for 1994-1995. Although the views of his country were fully set out in annex I to the Committee's report (IDB.11/15), he wished to reiterate that the way in which the contribution of the former Soviet Union had been distributed was inadmissible. The primary indicator to be taken into account in the calculation should be annual per capita income, which had sharply declined in Ukraine as a result of the difficulties it had encountered in the transition to a market economy. With regard to the provisions of Article 15.2 of the Constitution, it should be remembered that the link between the scales of assessments of the United Nations and UNIDO was not a rigid one and that UNIDO, with its own Constitution and governing bodies, was entirely free to take separate decisions on the subject. The unjust increase in Ukraine's contribution to the regular budget was unacceptable. He therefore called the

Board to revise conclusion 93/5 with a view to establishing an equitable contribution to the regular budget for his own country and others.

32. Mr. DAMANPAK JAMI (Islamic Republic of Iran) said that his country too was one of those affected by the substantial increase in its scale of assessment which had been caused by the withdrawal from UNIDO of one major contributor. That change had occurred at a time when his Government was submitting new economic data to the financial institutions of the United Nations for the recalculation of its scale of assessment in that Organization. Accordingly, his delegation would accept his country's scale of assessment in UNIDO for the 1994-1995 biennium, but only on the understanding that, when the General Assembly adopted a new scale for the Islamic Republic of Iran, an appropriate adjustment would be made in its UNIDO assessment.

33. His delegation regretted that the revised programme and budgets of UNIDO for 1994-1995 showed a decline of over $9 million in the net resource levels available under the regular budget, with a consequent fall of 1.6 per cent in the core funding on which UNIDO depended for delivering services and technical assistance. In order to maintain the level of funding at least at that of the 1992-1993 budget, his delegation would have preferred the Secretariat to have had recourse to the method of financing budgetary appropriations from unutilized balances. It would nevertheless approve the budget proposals on the assumption that the overriding principle to be followed in making the required adjustments would be to effect reductions in expenditure without unduly jeopardizing the Organization's capacity for technical assistance delivery.

34. Mr. HORMANN (Observer for Denmark), speaking on behalf of the European Community and its member States, thanked the Director-General for his report on the joint United Nations/UNIDO conference services (IDB.11/21). Before a final decision was taken on that matter, the Community and its members would need to be assured that the proposed transfer of administrative responsibility would not involve a decrease in the quality of service or any increase in costs. He asked for information on what reductions might take place in the staff, income and expenditure of UNIDO as a result of the transfer, and requested the Director-General to report to the Board, in time for a resumption of the present session, on the progress of his negotiations on the subject with the United Nations Office at Vienna.

35. UNIDO was to be congratulated on having two eminently qualified candidates for the post of External Auditor. Without wishing in any way to detract from the credentials of the candidate from India, who was about to join the United Nations Board of Audit for a three-year term, the Community and its members advocated the appointment of the President of the German Federal Board of Audit to the post.

36. Mrs. BOH (Observer for Slovenia) said that, taking into consideration the difficult financial situation of UNIDO, her delegation appreciated the efforts made by the Director-General to restructure the budget. It was pleased that new countries had been included in the budget assessments, but it strongly objected to the inclusion of Yugoslavia in the list of assessments and supported the statements made on that subject by the representatives of Turkey and Austria. The inclusion of Yugoslavia in the list conflicted with the decision taken by the General Conference in resolution GC/S.1/Res.1. She requested the Secretariat to rectify that error.

37. Mr. ARCILLA (Observer for Philippines) said that the Board should re-examine the decision of the Programme and Budget Committee to propose a $3 million reduction in UNIDO's resources for the next biennium in real terms, for the following reasons: the pattern of payments of contributions had improved since the Committee's session in April 1993; it was difficult to see how the proposed staff reductions could take place without hampering the substantive operations of the Organization; operational budget income had dropped by 30 per cent; and the Organization's new membership brought with it a projected increase of about $500,000 per annum in assessed contributions. The Board might therefore wish to adopt a less stringent approach to the budget, the irreducible minimum being at least the maintenance of zero growth. In that way the reduction in staff could be avoided.

38. He was also disturbed at the prospects for the UNIDO Country Director programme. His delegation believed that the use of discounted air fares for the home leave of staff members might generate economies which would release at least $1.4 million per year for the UCD programme.

39. He asked how the priorities established under the medium-term plan, including special regional programmes, would be dealt with in the allocation of funds, and requested the Secretariat to provide a programme of allocation according to specific technical cooperation activities per region in time for the the fifth session of the General Conference.

40. Mr. ZAITSEV (Russian Federation) said that the Programme and Budget Committee had agreed to the Secretariat's revised budget proposals in view of the fact that the Director-General had met its request to reduce the financial resources of UNIDO for 1994-1995, thereby showing that the Organization could make use of existing resources to discharge its responsibilities, and also on the understanding that the reduction would be achieved by reallocations within the regular budget and a decrease in administrative support costs under the operational budget.

41. With regard to the proposal to remove Yugoslavia from the list of assessments, that step would amount to the expulsion of Yugoslavia from UNIDO, an action for which United Nations General Assembly resolution A/RES/47/1 and General Conference resolution GC/S.1/Res.1 dis not provide. Since the Constitution made no provision for excluding Members, it would have to be amended before the Board could take any decision which had that effect. Furthermore, the Board should amend Programme and Budget Committee conclusion 93/2 by the addition of the phrase "with the exception of the last sentence of paragraph 12" at the end of subparagraph (e). In accordance with Article 15.2 of the Constitution, the UNIDO scale of assessments for contributions to the regular budget should be based "to the extent possible" on the United Nations scale, which included Yugoslavia. Therefore, in excluding Yugoslavia from the list of assessments, the Board would

again be taking a decision at variance with the Constitution, something which it had no right to do.

42. Yugoslavia's overall debt to the Organization amounted to $1.642 million. If it was excluded from UNIDO, the legal question would arise as to how the shortfall should be met. Since UNIDO had no funds other than the contributions of Member States, it followed that the Yugoslav debt would have to be distributed among the membership, unless certain Member States were willing to assume it. He would appreciate an explanation on that subject. In conclusion, he emphasized that he had referred only to the legal and financial aspects of the proposal, leaving aside its political implications.

43. Mr. LEE (Republic of Korea) expressed his full support for the action recommended by the Programme and Budget Committee in paragraph 14 of document IDB.11/2/Rev.1/Add.1. However, the financial situation of UNIDO as outlined in the Director-General's report (IDB.11/6 and Add.1) gave grounds for concern. It was particularly regrettable that the total of outstanding contributions amounted to $89 million. Despite some positive developments, it was a source of disappointment that undue delays in payment of contributions by some Member States, in particular the main contributors, continued to have an adverse effect on the functioning of the Organization. Some way should urgently be found of encouraging the timely payment of contributions. His country continued to support the introduction of a scheme of incentives and disincentives and urged the Secretariat to come up with a workable proposal on the subject.

44. It was gratifying to note the efforts made by the Director-General to stabilize the operational budget by bringing income and expenditure into line. He advocated more vigorous implementation of the plans of action contained in document IDB.11/6, but stressed the need for the Secretariat to look for further ways of ensuring that programme activities and the technical capacity of the Organization were not jeopardized by adjustments made to staffing levels. Better advantage should be taken of Member States' offers to make qualified experts available to the Secretariat on a non-reimbursable loan basis or similar arrangement using self-financed trust fund schemes.

45. He noted that the Director-General considered that both candidates for the post of External Auditor were eminently well qualified. He recalled the recommendation made by the Chairman of the Group of 77 at the ninth session of the Programme and Budget Committee that UNIDO's External Auditor should be from a developing country. He therefore supported the appointment of the Auditor General of India.

46. Mr. BAKSHI (India) expressed his satisfaction at the improved rate of collection of assessed contributions, which he hoped would continue, and commended the Director-General on his strenuous efforts to keep the budget within the limited resources available.

47. Referring to the scale of assessments for 1994-1995, he welcomed the accession of three new Member States, two of which had been assessed at 0.21 per cent. In his view, the regular budget should therefore be increased by at least that amount, and the same principle should apply if further States joined the Organization. The UNIDO scale of assessments should be based on the current United Nations scale, which had been finalized by the General Assembly after a very lengthy process.

48. India firmly believed that UNIDO's regular budget should be growth-oriented, whereas the Programme and Budget Committee's recommendation implied a real negative growth rate of 1.6 per cent. Moreover, the provisions for revaluation and inflation had been cut, leading to a reduction in net resource levels for 1994-1995 of 4.5 per cent over the original proposal, which had been based on zero growth. Those reductions would have a serious effect on UNIDO's capacity to provide assistance, as well as on morale. The resulting staff cuts would inevitably affect technical cooperation delivery. He wished to place on record India's serious concern over the reduction of the budget.

49. His country made an annual contribution equivalent to $1 million to the Industrial Development Fund, being both a donor and a recipient. It intended to contribute the same amount in 1994, as a token of its strong commitment to the objectives of the Fund. He supported the suggestion made by the representative of Mexico that donors should increase their contributions to the general-purpose segment and not impose conditions, so that equipment could be purchased on the most advantageous terms.

50. He formally presented the candidature of the Comptroller and Auditor General of India once again for the post of External Auditor of UNIDO, in the strong belief that a developing country should be given an opportunity to do that work. He reminded the Board of the statement made by the Chairman of the Group of 77 at the ninth session of the Programme and Budget Committee in support of India's candidature.

51. Mr. RIANON (Indonesia) endorsed the report of the Programme and Budget Committee, including the proposed programme and budgets for 1994-1995. The withdrawal of Canada from UNIDO, which he regretted, and the adjustment in the scale of assessments to take account of the membership of countries of the Commonwealth of Independent States had resulted in changes in the scale proposed for 1994-1995. Despite the budget shortfall, however, UNIDO should preserve its capacity to carry out its basic mandate. He shared the deep concern that had been expressed regarding UNIDO's financial situation and appealed to all Member States to pay their assessed contributions without delay. He also urged the Secretariat to continue to seek additional resources for financing the technical cooperation programme.

52. With regard to the Industrial Development Fund and other forms of voluntary contributions, he approved the increase in the number of projects to be financed under the Fund in 1994-1995 in accordance with the priority areas specified in the draft medium-term plan, 1994-1999, and announced that his Government had paid its contribution to the Fund for 1993.

53. In view of their great importance, he would like to see the number of UNIDO Country Director (UCD) posts gradually increased to the target figure of 50; at the very least, the present level must be maintained. He sincerely hoped that donor countries, multilateral financial institutions and other contributors would provide funds for the implementation of the UCD programme. His own Government had decided to increase its voluntary contribution to financing the local costs of the UCD office at Jakarta.

54. Mr. MARTIN (United States of America) said that his country could accept the revised programme and budgets for 1994-1995 proposed by the Director-General and it acknowledged the efforts which the proposals made to address many of the concerns raised by Member States at the ninth session of the Programme and Budget Committee. However, he was still worried by UNIDO's practice of converting staff posts from the operational to the regular budget. At one time, 14 such posts had been proposed for conversion under the 1994-1995 budget. In his view, UNIDO should not use that process as a means of alleviating the problems it had in securing voluntary funds. He urged the Director-General to end the practice and to give greater attention to making the operational budget truly self-supporting.

55. In agreeing to the 1994-1995 budget, the United States acknowledged a commitment to meet all of its financial obligations to UNIDO. In addition to the payment of its current assessment, it intended to continue making instalment payments on its arrears with the aim of completing the process by 1995.

56. He shared the concern expressed by the representatives of Turkey and other countries with regard to the inclusion of "Yugoslavia" in the 1994-1995 scale of assessments for contributions to the regular budget, which appeared to contravene the provisions of General Conference resolution GC/S.1/Res.1. At present, as he saw it, there were no grounds for including an entity designated "Yugoslavia" in the 1994-1995 scale of assessments. Although the issue appeared straightforward, he invited the Legal Adviser to comment on the matter and clarify the Secretariat's reasoning.

57. Mr. PUTHO (Thailand) endorsed the second set of revised proposals for the programme and budgets for 1994-1995 (IDB.11/2/Rev.1/Add.1) and commended the Secretariat on its efforts to reduce the estimates below the level requested by the Programme and Budget Committee. Noting that the total number of posts under the regular and operational budgets had been reduced by 106, he was optimistic that the Organization would be able to operate effectively at the proposed level of staffing, thus confirming that previously it had been overstaffed.

58. He welcomed the improved collection rate for assessed contributions, which meant that there would be no cash shortfall in the regular budget during the rest of 1993. He hoped that would be the case in future years, eliminating the need to suspend the financial regulations concerning the unutilized balances of prior years. Repeated temporary suspension of the financial regulations ultimately constituted permanent suspension, a state of affairs with which he did not agree on principle. He hoped that, with effect from the biennium 1992-1993, any unutilized balances would be credited to Member States in the appropriate manner.

59. Developing countries needed and supported the UNIDO Country Director (UCD) programme. He therefore urged that funds should be sought from all sources to achieve the target level of 50 UCDs set by the General Conference in resolution GC.4/Res.4. In view of the fact that the allocation of UNDP resources was expected to decline, other sources of financing should be sought for the programme.

60. He was optimistic that the proposed new arrangements for United Nations field offices would have a positive impact on the work of UNIDO, since the offices would have a wider mandate and would benefit from the strength of country teams led by the United Nations resident coordinators and supported by representatives of specialized agencies and UNDP. He urged UNIDO to monitor developments and redefine the role of Country Directors and the way in which they were financed.

61. Mr. VLAD (Romania) commended the Director-General for his efforts to harmonize the various budgetary components of UNIDO for 1994-1995, given the difficult period through which the Organization was passing. He hoped that the new strategy for UNIDO's activities would result in all countries becoming Members of the Organization. It might then adopt the same scale of assessments as the United Nations. His country was going through an awkward time of transition to a market economy, and was also suffering from the burden of the sanctions imposed on the Federal Republic of Yugoslavia (Serbia and Montenegro). It had nevertheless made considerable efforts to fulfil its financial obligations to UNIDO and had made a voluntary contribution to the Organization. He was therefore unable to accept the revised scale of assessment for his country shown on page 26 of document IDB.11/2/Rev.1/Add.1. He hoped that Romania's position would be fully understood by the Secretariat and the Members of UNIDO.

62. Mr. BELLA (Slovakia) said that, with regard to assessed contributions to UNIDO for the biennium 1992-1993, his country had decided to take a share of the assessed contribution of the former Czechoslovakia, which had been mutually agreed at one third of the assessed contribution for 1993. The amount in question had recently been paid. With regard to the scale of assessments for 1994-1995, he supported the view expressed by representatives of other countries, notably from Group D, that the scale should be recalculated to reflect the economic realities facing countries in transition to a market economy.

63. Mr. AL-SAEID (Kuwait) approved the revised draft budget recommended by the Programme and Budget Committee. However, he questioned the inclusion of Yugoslavia in the list of assessments for contributions to the regular budget and shared the views expressed on that subject by the representatives of Austria and Turkey. General Conference resolution GC/S.1/Res.1 had determined that the Federal Republic of Yugoslavia (Serbia and Montenegro) could not continue automatically the membership of the former Socialist Federal Republic of Yugoslavia. He sought clarification on the issue from the Secretariat.

64. Mr. AL-ZEID (Saudi Arabia) said that he too shared the concerns expressed by Austria and Turkey about the inclusion of Yugoslavia in the scale of assessments. UNIDO was an independent specialized agency whose General Conference had decided that the Federal Republic of Yugoslavia (Serbia and Montenegro) could not automatically take over the membership of the former Socialist Federal Republic of Yugoslavia. He called on the Secretariat to correct the list of assessments, since resolutions of the General Conference must be respected.

65. Mr. SALLOUKH (Observer for Lebanon) agreed that the Federal Republic of Yugoslavia (Serbia and Montenegro) should not be included in the scale of assessments, since that was tantamount to continuing the membership of the former Socialist Federal Republic of Yugoslavia, contrary to what the General Conference had decided.

66. Mr. DE MARIA Y CAMPOS (Director-General) expressed satisfaction with the approval by the Programme and Budget Committee of his proposals for the programme and budgets, 1994-1995, since they represented an important step forward for the Organization. He had found the discussion of the proposals in the Board fruitful. In the three months following his election, he had faced a demanding task in revising the budget to deal with the difficult financial situation he had inherited. He had taken a realistic approach to the matter, with the guidance of Member States, and had devoted himself to an analysis of the priorities and future structure of UNIDO. He was well aware of the tight constraints imposed on the Organization by the budget, particularly under the operational budget. While he was gratified at the improved rate of collection of assessed contributions to the regular budget - 47 per cent in June 1993 compared with 41 per cent at the same time in the previous year - and welcomed the efforts of Member States, particularly new Members, to pay their contributions as due, the collection rate was still not good enough.

67. While appreciating the concerns voiced by certain Member States about UNIDO's scale of assessments for the regular budget, he pointed out that it was determined by the scale of assessments set by the United Nations. That was the proper forum for the resolution of difficulties which Member States faced in relation to assessed contributions.

68. With regard to the comment made by the delegation of Turkey on the operational budget, he said that it was subject to regular monitoring. The estimates presented to the Board were the best available but were subject to change. In order to alleviate pressure on the operational budget, he encouraged Member States to contribute more to the Industrial Development Fund and trust funds. He shared the hope expressed by the representative of Mexico that the Fund would receive larger contributions from all Member States, including the advanced developing countries. As far as possible those contributions should not be tied, so that they could be directed towards meeting the priority needs of Member States as a whole, particularly the least developed countries.

69. On the question of the joint conference service, he reiterated his conviction that it should be transferred to the United Nations as soon as possible. He believed that a unified service would be efficient and would preserve the present quality of service. Active discussions were in progress on the subject and he hoped that the transfer could take place earlier than the currently proposed date of January 1996. He urged Member States to support the move, since UNIDO needed a smaller, stronger structure in order to fulfil its mandate effectively.

70. Mr. WARNER (Deputy Director-General, Department of Administration) said that the suggestion made by the representative of the Philippines with regard to possible economies in the cost of home leave would require discussion, including consultations with staff representatives in the Joint Advisory Committee, because of the question of staff rights. The matter was not directly related to finding funds for the UNIDO Country Director programme, which would have to be identified across the whole spectrum of the budget and not singled out in relation specifically to staff costs.

71. On the question of the transfer of the languages and documentation functions of the conference service to the United Nations, it had been assumed in the preparation of the budget documents before the Board, and in the planning process, that the transfer would have no adverse impact on UNIDO's budget.

72. He assured the representative of Austria that training and retraining constituted a significant element in the staff reduction programme.

73. Mr. BEHRENS (Deputy Director-General, Department for Programme and Project Development), replying to the comments made by delegations on the question of the UNIDO Country Director (UCD) programme, said that funding the programme was a problem. In order to achieve the target of 50 UNIDO Country Directors it would be necessary to obtain additional resources. One means of additional financing would be for host Governments to increase their contribution to local costs. He was grateful for the contribution made by Indonesia to the local costs of the UNIDO Country Director there. With regard to the remarks made by the representatives of Mexico and Turkey about the role to be played by UCDs, the Director-General's report (IDB.11/7) reflected the view of the Secretariat that they should shift away from their traditional activities to the provision of direct advice, with much closer linkages to the private sector through the local chambers of industry, finance institutions, etc., and the services of national officers. He informed the representative of Thailand that the Organization was monitoring the discussions taking place in New York on the unified field offices and their impact on UNIDO.

74. Mr. NEUMANN (Legal Adviser) said that, under Article 15 of the Constitution, the Programme and Budget Committee should have recommended a scale of assessments to the Board for contributions to the regular budget of UNIDO. In conclusion 93/5, instead of doing that, the Committee had requested the Director-General to submit a draft scale to the Board. Under Article 15 of the Constitution, the Board must recommend a scale of assessments to the General Conference. General Conference resolution GC/S.1/Res.1 was similar to resolutions adopted by the United Nations Security Council and the General Assembly and also in other specialized agencies and the International Atomic Energy

Agency (IAEA). None of the resolutions stated expressly whether or not Yugoslavia (Serbia and Montenegro) was a member of the organization concerned; the decisions taken related only to participation, and there was some room for interpretation in regard to membership.

75. Such interpretations had been given in statements in the Security Council, and to a lesser extent the General Assembly, as far as the United Nations itself was concerned. In IAEA, an interpretation had been given in a statement by the President of the Board of Governors. In the case of UNIDO, the statements made at the special session of the General Conference would seem to tend towards a different interpretation. As Legal Adviser, he saw no difficulty in following the interpretation expressed by the majority of speakers. He would not see any reason to amend the Constitution if those views were to prevail.

76. Mr. WOTAVA (Austria) said that, as a specialized agency, UNIDO should take its own decisions. No decision in the United Nations went as far as that of the General Conference, which excluded Yugoslavia from participation in all the principal bodies of the Organization. In the United Nations, Yugoslavia was excluded from the General Assembly and the Economic and Social Council, but not from the functional commissions. According to the General Conference resolution, Yugoslavia should not be included in the list of contributors to the regular budget of UNIDO.

77. Mrs. OK (Turkey) agreed that UNIDO should interpret the point for itself. There was no need for a separate decision on the matter since a General Conference resolution dealt with it already. The Secretariat should rectify the situation. She wished to make it clear that, if Yugoslavia was included in the scale of assessments, her country would not accept that as implying that the Federal Republic of Yugoslavia (Serbia and Montenegro) was the successor to the former Socialist Federal Republic of Yugoslavia.

78. Mr. HULSE (United Kingdom), supported by Mr. MELY (France) and Mr. BOUTOS (Greece), said that as there had been no decision to expel Yugoslavia from the Organization, and it had not decided to withdraw, it was logical that it should be listed in the scale of assessed contributions. He agreed with the Legal Adviser that the General Conference decision concerned participation in UNIDO's activities; Yugoslavia was indeed excluded from the Organization's governing bodies, but legally it had not been expelled from the Organization. In his view, UNIDO should follow the precedent established by the United Nations General Assembly; any future decisions on the subject should be left to the United Nations and should not be pre-empted by UNIDO.

79. Mr. AL-SAEID (Kuwait) asked whether the reference to Yugoslavia meant the former Socialist Federal Republic of Yugoslavia or the Federal Republic of Yugoslavia (Serbia and Montenegro).

80. Mr. AL-ZEID (Saudi Arabia), while endorsing the statements just made by Austria and Turkey, said that the comments of the Legal Adviser and the representative of the United Kingdom implied that Yugoslavia should appear in the scale of assessments, since it had not been and could not be expelled. As the assessment of the former Yugoslavia for 1992-1993 had been 0.42 per cent and the assessment for 1994-1995 was 0.17 per cent, he took it that the latter referred to the Federal Republic of Yugoslavia (Serbia and Montenegro). It should apply for membership of UNIDO, since at present it was not a Member.

81. Mr. FADLALLA (Sudan) sought further clarification on the subject from the Legal Adviser. He endorsed the view expressed by those representatives who had said that Yugoslavia was not at present a Member of UNIDO, and therefore should not be listed in the scale of assessments.

The meeting rose at 1.15 p.m.

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United Nations Industrial Development Organization

Industrial Development Board

Eleventh session

SUMMARY RECORD OF THE 5th MEETING

Held at the Vienna International Centre, Vienna,
on Wednesday, 30 June 1993, at 3 p.m.

President: Mrs. MACHADO QUINTELLA (Brazil)

CONTENTS

Agenda item		Paragraphs
6	Report of the Programme and Budget Committee (continued)	1 - 8
8	UNIDO policies	9 - 91
8	Development of human resources	
10	UNIDO activities in the field of restructuring, including privatization	
8	UNIDO policies (continued)	92 - 111
7	Medium-term plan, 1994-1999	
11	Organizational and staff structure of UNIDO	
16	New concepts and approaches for cooperation in industrial development in conformity with Article 2 (c) of the Constitution	

The meeting was called to order at 3.35 p.m.

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE (continued) (IDB.11/15, IDB.11/5 and Add.1, IDB.11/6)

1. Mr. BIRULEV (Russian Federation) said that the explanation given by the Legal Adviser and statements made by other delegations at the previous meeting bore out his delegation's view that: firstly, there had been no decision to exclude Yugoslavia from membership in the Organization and the decision taken by the General Conference at its special session referred only to participation in the policy-making organs; secondly, since the question was political, the decision in UNIDO should be aligned with decisions in New York; thirdly, as long as the Constitution of UNIDO was not amended, Yugoslavia should continue to be listed in the scale of assessments.

2. Mr. VETTOVAGLIA (Switzerland) supported the statement made by the representative of the United Kingdom.

3. Mr. AL-ERYANI (Observer for Yemen) said that the scale of assessments should not contain mention of Yugoslavia. Yugoslavia's membership should be suspended until such time as Serbia and Montenegro applied to join UNIDO.

4. Mr. AL-SAEID (Kuwait) said he had received no reply to the question he had put at the previous meeting to the Legal Adviser, as to what was meant by the term "Yugoslavia" in the present context. He also wished to know who would pay the 0.17 per cent contribution provided for.

5. Mr. ULLAH (Pakistan) associated himself with the views expressed by the representatives of Austria, Turkey, Kuwait, Saudi Arabia and the Sudan.

6. Mrs. OK (Turkey) said that strong feelings had been expressed on the subject, but there had been no convergence of views, and no clear advice had been given by the Legal Adviser. She proposed that the debate be adjourned to allow consultations to take place.

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7. The PRESIDENT said that if there was no objection she would take it that the Board wished to adjourn consideration of the matter.

8. It was so decided.

UNIDO POLICIES (IDB.11/10, chap. I, IDB.11/14, IDB.11/20)

DEVELOPMENT OF HUMAN RESOURCES (IDB.11/10, chap. V, IDB.11/11; IDB.11/CRP.3)

UNIDO ACTIVITIES IN THE FIELD OF RESTRUCTURING, INCLUDING PRIVATIZATION (IDB.11/24)

9. The PRESIDENT invited the Board, in line with the tentative schedule agreed on by heads of delegations on 28 June, to consider first the aspects of agenda item 4, "UNIDO policies", covered in chapter I of the annual report of UNIDO for 1992 (IDB.11/10), in document IDB.11/14 and in IDB.11/20, in conjunction with item 8, "Development of human resources", and item 10, "UNIDO activities in the field of restructuring, including privatization".

10. Mr. DE MARIA Y CAMPOS (Director-General), introducing agenda item 8, said that the Secretariat had made every effort to respond to the request of the General Conference for the strengthening of the linkage between human resource development and the development and transfer of advanced technologies. That had been responded to within the technical cooperation programmes and projects, particularly the large-scale projects, which normally included a training component. However, the Secretariat continued to face the problem of a lack of adequate financial resources. Group training programmes, mainly financed from IDF funds, continued to provide the developing countries with opportunities to upgrade the skills of managerial and technical personnel at the middle and senior levels; that component of the programme had also benefited from the programme of cooperation among developing countries.

11. The experience gained by UNIDO in industrial human resource development could be extended to more developing countries and programmes, but the lack of adequate resources had been a limiting factor. A restructured UNIDO should be able to put into effect a renewed and strengthened programme for human resource development especially in technical areas related to industry and also in areas such as the development of entrepreneurs and managers and in particular technology management.

12. Mr. BEHRENS (Deputy Director-General, Department for Programme and Project Development), introducing agenda item 10 ("UNIDO activities in the field of restructuring, including privatization"), said that the subject reflected the widespread recognition that direct government intervention in industry had not succeeded in securing the desired degree of industrial development and that the private sector must assume a more dynamic role in pursuit of that goal. Many Governments had initiated extensive programmes of economic liberalization and deregulation, which were intended to provide private business with an appropriate legal and institutional framework conducive to investment, entrepreneurship and risk-taking. In almost all cases it had resulted in a significant increase in investment and in a strong shift in the balance of capital formation from the public to the private sector.

13. Privatization was an important element of the industrial restructuring process, and took many forms, ranging from the outright sale of public assets to the granting of operating concessions to private entrepreneurs. It was an immensely complex task for many countries, which often required substantial external support at the policy and strategy formulation level, the institutional level and the enterprise level. UNIDO sought to maintain a comprehensive and integrated modular capability for industrial restructuring and privatization to respond to the specific needs of each country (IDB.11/24, para. 14). Privatization had been included in the Organization's programmes since the 1990-1991 biennium, and in the past three years UNIDO had, among other things, organized and conducted workshops, undertaken diagnostic missions and backstopped technical cooperation projects in privatization. A number of proposals for further technical cooperation activities involving industrial restructuring and privatization in the context of national industrial strategies were being developed.

14. With adequate resources UNIDO could play a key role in the development of privatization practices in developing countries by undertaking appropriate research, conducting expert group meetings and workshops, organizing networks on privatization, disseminating information and knowledge, and helping to coordinate various aspects of privatization among multilateral and bilateral institutions. It intended to develop its services for the privatization of specific enterprises, industries and sectors, as well as to develop its capabilities to back-stop assistance to the privatization process in general.

15. Mr. BAKSHI (India) said that recent political and economic changes had generated renewed interest in the role of the private sector in development, although the public sector had played a crucial role in the development process in most economies, especially those of developing countries, and would continue to need careful attention. In the context of the restructuring of economies, the most important elements for growth and development were investment promotion, technology transfer, human resource development and privatization, and the success of the entire package of reforms would depend on effective implementation of each of those individual elements.

16. UNIDO had played a role in the industrial development of a number of developing countries, but many of those which were undergoing economic restructuring did not find that UNIDO was playing a very active role in that area, and it was debatable whether the Organization was equipped to deal with the newly emerging issues at the macro- and micro-levels effectively and expeditiously. UNIDO must be able to concentrate on all issues related to restructuring in a more aggressive manner and with a higher quality of performance. UNIDO was performing rudimentary work in the field, but the question had to be asked whether that work was adequate, how UNIDO compared with other agencies, whether it could take a lead and, if so, what needed to be done to achieve that end.

17. The developing countries and the emerging countries of Central and Eastern Europe had to take into account the views of aid givers. It was India's experience that even aid givers were now having second thoughts about the precipitate nature of the privatization undertaken thus far. Many privatization operations in the developing

countries had failed or had poor results because of the lack of neutral and objective advice. India had long experience of dealing with such matters, and might be able to help other developing countries to take informed decisions on privatization issues; India also wished to learn more about the experience of other developing countries, and UNIDO might provide the forum for an exchange of experience and the provision of quality advice.

18. He welcomed the fact that UNIDO intended to develop its capabilities and services for the privatization process, and proposed that a unit be set up, reporting directly to the Director-General, in which experts from different countries might work out a policy and an institutional arrangement within the Organization to deal with all such issues. The matter was very important and urgent; speed was essential if Member States were not to be overwhelmed by the turn of events.

19. Mr. ADEKANYE (Nigeria) said that rehabilitation had become a major focus of the new framework for placing UNIDO's activities in the area of small- and medium-scale industry on a programmatic basis. That was welcome and long overdue. Many such industries in Nigeria continued to experience difficulties and had not fulfilled the expectations behind their establishment; the proposed framework would assist in addressing those problems, as it would enhance UNIDO's advisory support functions through the mobilization of financial resources, access to sources of technological know-how, and networking and outreach activities.

20. Nigeria had implemented a number of policies to facilitate the operation of small- and medium-scale industries. Entrepreneurship development programmes of one kind or another had trained some 600 people, and national consultations had been held in 1992, with the assistance of ILO, UNIDO and other international organizations, as well as finance houses, with a view to formulating strategies for financing small- and medium-scale industries. Nigeria was also in the process of establishing a development agency for such enterprises to coordinate policies and activities relating to their development. Nigeria hoped to participate in the forum of experts from donor and recipient countries scheduled for September 1993, as outlined in paragraph 19 of document IDB.11/14.

21. It was established that the private sector should be strengthened as a vehicle for the industrialization of the developing countries, but the privatization of public enterprises in many countries continued to pose problems. Under Nigeria's privatization programme some 67 enterprises were due for full privatization, and another 25 for partial or full commercialization. The success of Nigeria's efforts thus far was due to the commitment of its Government as well as to the enthusiasm of Nigerian and foreign entrepreneurs. Nigeria had also benefited from cooperation provided by multilateral institutions. UNIDO was well placed to provide assistance to developing countries in their privatization efforts, and his delegation supported the vigorous role proposed for the Organization in that regard.

22. Turning finally to the Second Industrial Development Decade for Africa (IDDA), he recalled that it had been the result of the joint efforts of African Member States and UNIDO. The commitment to create an environment appropriate for the achievement of the goals of the Decade had been reiterated at the last meeting of the Conference of African Ministers of Industry (CAMI), held in Mauritius, but there was a need to move from rhetorical support to the commitment of resources and, while welcoming UNIDO's catalytic role, he wished to take the opportunity to encourage donor countries and development agencies to become similarly committed in order that the Second IDDA would not be yet another decade of lost opportunities for Africa.

23. Mr. HELLER (Mexico) recalled that the original proposal to establish programme frameworks for priority areas of the medium-term plan had come from the Group of 77 at the urging of the Latin American and Caribbean Group. His delegation therefore welcomed the full implementation by the Secretariat of decision IDB.9/Dec.2 requesting the Director-General to complete the programming of the 1992-1997 medium-term plan in regard to its five priority areas. Mexico agreed that the Board should ask the General Conference at its fifth session to approve the programme for small- and medium-scale industries and, with some adjustments, the programme for industrial rehabilitation and modernization. Privatization was a component of industrial rehabilitation and modernization, and it was proposed that an additional subprogramme be included relating to the industrial aspects of privatization along the lines set out in paragraphs 24-30 of document IDB.11/24.

24. The work done by the Organization within that framework should be directed towards analysing subjects connected with the privatization process, such as the incorporation of new enterprises into the economies of those countries, the long- and medium-term objectives, the multiplier effect on the economy and employment, and the regulatory framework developed in various countries to guarantee consumers' rights and the rights of domestic and foreign investors. Consideration should also be given to preventing the establishment of private monopolies which might distort the market and to identifying those sectors in which favourable results had been obtained, and the causes of any obstacles that had been encountered. In that context, UNIDO should take advantage of the work done by UNCTAD and UNDP, and coordination and communication should be established with IMF, the World Bank and GATT. It would also be desirable for a forum to be organized for the exchange of national experience in the field of industrialization and privatization.

25. Mr. YAT SIN (Observer for Mauritius) expressed full support for the policy initiated by the Director-General, especially concerning the African region in the context of the Second Industrial Development Decade for Africa and the practice of holding regular consultations with all concerned parties.

26. Mauritius had been appointed Chairman of the Committee of Ten responsible for following up action for the recently held eleventh meeting of the Conference of African Ministers of Industry, which had adopted a statement of the African common position for the fifth session of the General Conference of UNIDO. There had been a strong commitment throughout the Conference to effect necessary policy changes in order to encourage investment in industrialization and bring about internal change in terms of political

stability and economic policies. Consensus had been reached on fundamental political options and economic strategies to accelerate industrial development and emphasis had been placed on the need to devise new policies to attract investment, develop market economies, liberalize trade practices, promote the private sector, privatize State enterprises where appropriate and implement structural adjustments where necessary. A recurrent theme had been the prerequisite of establishing an overall enabling environment for industrialization.

27. The statement of the African common position focused on priority needs for Africa, namely accelerating the implementation of the Second IDDA, human resource development to expand industrial capacity and capability, industrial rehabilitation and modernization of existing production units, especially basic industries, assistance for the industrialization of the least developed countries in Africa, and the reorganization of UNIDO's staff structure to provide for a larger participation of African nationals in management positions.

28. The second major policy document adopted by the Conference, the Mauritius Declaration on Africa's Accelerated Industrial Recovery and Development in the context of the Second IDDA, marked a break with the past. Its salient features were: a commitment to creating an enabling environment for sustained growth and increased investment, requiring political stability, good governance and the rule of law; recognition of the need for a sound macroeconomic framework, including market exchange rates and interest rates, reduction of budget deficits and of bureaucratic controls, ensuring operational independence of public enterprises and the promotion of African private entrepreneurship; and recognition of the cardinal role of the private sector in the industrialization process. Finally, it had been recognized that UNIDO would have a crucial role to play in acting as a catalyst, together with other agencies, in helping African countries to bring about the necessary changes.

29. Mr. VELAZQUEZ (Peru), commending the report on UNIDO activities in the field of restructuring, including privatization (IDB.11/24), said that General Assembly resolutions 45/188, 46/166 and 47/171 were particularly relevant to the world today, including the majority of Latin American countries.

30. Far-reaching reforms in the State structure of Peru had proved crucial to the modernization of its institutions and productive system and had set the country firmly on the path to long-term stability. Two years previously, his Government had lifted exchange controls, liberalized prices and wages, introduced equal treatment for foreign and national investors, opened all economic sectors to investment, liberalized trade and capital flows and rationalized the system of taxation. The trade and investment system had been modernized, preparing the ground for economic restructuring, and a new privatization process had been set in motion. Peru now offered substantial incentives and facilities for foreign investment. By informing other Member States about the Peruvian experience, he wished to contribute to UNIDO's role as a forum for dialogue among Member States and international financial institutions for the benefit of the industrial development of the developing countries.

31. With regard to electronic data processing, he would welcome UNIDO's assistance in informing and advising Member States in that field with a view to accelerating investment in the industrial restructuring of countries that had initiated privatization processes or were intending to do so.

32. Mr. VIJAY (Commonwealth Secretariat) said that the role of the Industrial Development Unit (IDU) of the Commonwealth Secretariat was complementary to that of UNIDO, focusing primarily on the enterprise level, the small- and medium-scale sector and the small States of the Commonwealth. Since 1991, the Commonwealth Secretariat had introduced changes in its structure to meet the new challenges posed by the rapidly changing political and economic environment and had refocused its efforts on new priority areas in which it had a comparative advantage, and on targeting its activities more precisely. Emphasis had been placed on mutually reinforcing activities and ensuring that a critical mass of activity was undertaken to achieve impact, while maintaining the flexibility of the Secretariat so that it could respond rapidly to the needs of its members.

33. Under the new, more focused structure, the support provided by the Secretariat to the industrial development efforts of member countries had been further streamlined and strengthened in order to ensure more integrated, effective technical assistance. A new unit for liaison with non-governmental organizations was also to be established.

34. Three areas of IDU's work which were of particular relevance to the current needs of the developing countries and would benefit from UNIDO collaboration were restructuring and privatization, assistance to the small- and medium-scale sector and technical assistance to small States. IDU had assisted a number of developing countries in the area of restructuring and privatization by preparing their State-owned enterprises for divestiture. Its work included: the selection of enterprises for restructuring and/or divestiture; the restructuring of enterprises, which in some cases resulted in there being no need for privatization; financial, managerial and technical reviews of selected enterprises; review of the valuation of the enterprises; preparation of the confidential memoranda for sale; mobilization of investors; selection of appropriate methods for sale; negotiations for sale. It had already successfully assisted the Government of Zambia in its privatization programme, and discussions were currently under way with the Governments of Tanzania and Uganda. It had gained valuable experience over the years in undertaking restructuring work at the micro level, and would welcome collaboration with UNIDO in that area.

35. IDU's assistance to the small- and medium-scale sector related to the design of appropriate programmes, identification and transfer of appropriate technologies, installation and commissioning of plant and equipment, and training for technical and managerial staff. It had evolved an effective methodology for rendering practical assistance at minimal cost, permitting the acquisition of skills, creation of employment, especially in the most disadvantaged developing countries such as the small island States, and the facilitation of access to finance.

36. IDU had assisted over 400 industrial projects in the small States. IDU inputs concerned the

identification of industrial opportunities, strategic planning of Governments' small-scale policies, transfer and adaptation of appropriate technologies, entrepreneurship development and promotion of small businesses. The small-scale manufacturing sector was one of the main factors supporting economic growth in small island and disadvantaged countries. The importance of women and young people in the economic development of small States, representing as they did up to two thirds of the productive population, could not be overemphasized. Active cooperation with UNIDO would be much appreciated in that area.

37. Mr. KELLAND (Observer for Denmark), speaking on behalf of the European Community and its Member States, said that document IDB.11/14 represented an important step forward in developing UNIDO's policy in the area of small- and medium-scale industry, an essential component of development strategy in most developing countries and an area in which UNIDO had a comparative advantage and to which it should give high priority. In the implementation of the subprogrammes, cross-fertilization was essential, and the main aim should be to strengthen or establish a sustainable and enabling environment. That entailed, in particular, supporting efforts of local and regional authorities, strengthening industry associations, chambers of commerce and relevant financial institutions, and strengthening managerial capacity, research and development, training activities, and consultancy and extension services.

38. The intention to address problems at the enterprise level within the context of focused, integrated programmes was welcome. Such assistance should not lead to market distortion, must have a multiplier effect and should be based on clear criteria. The organization of a meeting of experts to further concentrate, refine and adapt the programme in the light of changing requirements of developing countries was another welcome initiative. UNIDO should improve and/or continue its coordination with other bodies of the United Nations system.

39. He supported the conclusions of the well-structured document on industrial rehabilitation and modernization (IDB.11/20). UNIDO should place particular emphasis on capacity building and should act as a sort of broker between foreign enterprises and consultants and enterprises requiring rehabilitation or modernization. It should bear in mind the special risk of market distortion in that area, and should ensure that its activities were consistent with its development objectives. It was regrettable that the document contained no reference to environmental aspects. New environmental technologies for cleaner and more effective processes and for less "end-of-pipeline" pollution must be introduced if the necessary quality criteria and international norms were to be met.

40. Turning to agenda item 8, he welcomed the in-depth evaluation of UNIDO industrial human resource development activities (see document IDB.11/CRP.3). Human resource development was one of the main priorities of the Organization. In a market-oriented industrial environment, the role of Governments would necessarily change and the industrial sector was expected to take more responsibility for its own human resource development. He agreed with the evaluation's proposed definition of industrial human resource development in paragraph 6 of document IDB.11/CRP.3. UNIDO's human resource development programmes should be based on employment and manpower development, science and technology and social issues. UNIDO should improve the coordination of its activities with other international organizations concerned, as well as its in-house coordination, taking into account the requirements of recipient countries. The inter-agency programme started by ESCAP offered opportunities for UNIDO involvement, as did those aspects of industrial human resource development which were no longer part of ILO and UNESCO programmes.

41. The new approach to human resource development would require systematic information-gathering, analysis, policy and strategy formulation leading to policy advice and programmes, and the operational use of feedback. Closer interaction should be sought between existing UNIDO programmes to develop and implement industrial human resource activities. UNIDO should develop a professional and systematic approach to its training activities, which should be of the highest standard and should support major UNIDO technical cooperation programmes to ensure a multiplier effect, sustainability and impact. In the restructuring of UNIDO, the Director-General should give due attention to the importance of human resource development, possibly by establishing a coordinating and policy-making human resource development branch, which did not necessarily mean that all human resource development expertise should be concentrated in one branch. Information on how the Director-General intended to follow up the recommendations of the evaluation report was awaited with interest.

42. Mrs. BECKER (United States of America) commended the comprehensive evaluation of UNIDO's human resource development programme financed by the Government of Germany and noted the recommendation that UNIDO should adopt a wider, more systematic definition of that issue, recognizing human resource development as a dynamic, sustainable activity that took account of factors such as economic and social conditions and their impact on industrial productivity, and that the programme should be approached from a number of different perspectives entailing more than training activities. The approach outlined in the summary of the evaluation (IDB.11/CRP.3, annex) would make it easier for UNIDO planners to make the modifications needed for a more comprehensive programme. While it did not wish to place undue restrictions on UNIDO's human resource development activities, her delegation continued to urge the Organization to coordinate its efforts closely with other international organizations such as UNESCO and ILO.

43. Given the severe budgetary constraints still faced by UNIDO, any additional funding for the human resource development programme from the regular budget should be reprogrammed from within existing resource limitations. She supported the recommendation, however, that UNIDO should work with UNDP and the World Bank to obtain additional funding for human resource development activities.

44. Mr. ROSSO OROZCO (Bolivia), after confirming Bolivia's continued cooperation with the Organization and noting with satisfaction that UNIDO was set on a new course, commended UNIDO's activities in promoting investment, an area of vital importance for his country, which had

undertaken structural adjustments that were beginning to yield highly positive results. Legislation on investment had been passed, a vigorous privatization programme had been undertaken and favourable conditions had been created to attract both domestic and foreign investment. He urged UNIDO to strengthen its activities in that area in order to consolidate economic growth.

45. Through its Country Director programme, UNIDO should help to establish a constructive relationship between Governments and the private sector in countries like his own where the private sector was playing an active part in transforming the productive sector. That should involve a decentralization of UNIDO's activities.

46. With regard to the medium-term plan, he fully agreed with the need for UNIDO to develop not only flexibility, capacity for change and increased efficiency and effectiveness, but also a thorough comprehension of country and regional needs (IDB.11/27, para. 5).

47. Regarding structural reform, he fully supported the work of the Task Force on Priorities and Structural Reform of UNIDO (see document IBD.11/CRP.4) and was convinced that the forthcoming General Conference session would take decisions of historic importance for UNIDO. He attached particular importance to the Secretariat's activities in preparing guidelines for projects financed by special trust funds; a system should be developed for accelerating approvals of such projects. Finally, he urged UNIDO to step up its efforts to promote regional cooperation and was gratified to note the intention to work in coordination and cooperation with international and regional financial institutions.

48. Mr. PISKUNOV (Russian Federation) said that State support for small- and medium-scale industries was an important component of Russia's current industrial policy. His delegation therefore supported the steps taken by UNIDO to develop programmes for small- and medium-scale enterprises. The objectives outlined in document IDB.11/14 were of great importance for many Member States. His delegation believed that they should be used as guidelines for UNIDO's future activities to support the creation of small- and medium-scale industries.

49. The development of such industries was not only of relevance for developing countries but was also directly related to economic reform in countries like his own that were in a period of transition. His delegation hoped that its position would be supported and reflected in the Secretariat's planning of its activities.

50. It would be useful to finalize the programme's organizational framework before the fifth session of the General Conference, when it was to be adopted. In carrying out the programme, mobilization of financial resources, including attraction of investment, provision of access to technology, development of a network for consultative services and organization of international exchange of data would be of particular significance. The work of the interdepartmental working group (see document IDB.11/14, para. 19) and the meeting to be held in September 1993 with experts from donor and recipient countries would help to make the programme more solid. His delegation was prepared to assist the Secretariat in pursuing such activities. It welcomed the successful contacts between Russian organizations and the Secretariat, as well as the participation of UNIDO representatives in the first and second international meetings on small- and medium-scale industries held in Moscow in 1991 and 1992.

51. Turning to document IDB.11/20, he said Russia was now carrying out large-scale efforts to rebuild and modernize in the industrial branch of its economy. His delegation was interested in the consultative services of UNIDO and supported the main lines of the relevant programme. Commercialization of industry and assistance to the production sector should be given greater attention; it was therefore encouraging to see that the framework for the programme had been reoriented to meet those requirements. His delegation looked forward to receiving detailed information on the activities and effectiveness of the interdepartmental working group in that field. It was of the view, however, that the programme's targets should not be determined by organizational restructuring: rather, the clarification of priorities in various fields of the Organization's activities must serve as the stimulus for restructuring.

52. Regarding document IDB.11/27, his delegation believed that the work of the Task Force on Priorities and Structural Reform of UNIDO should proceed in tandem with the consultations carried out by the President of the Board.

53. Turning to agenda item 8 on development of human resources, he said that, since human beings were both the foundation and the goal of development efforts in any society, the development of human resources was paramount in industrial development activities. His delegation was satisfied with UNIDO's work under the programme on development of human resources and with the attention being devoted by the Organization's leadership to that sphere of activity.

54. In drafting the programme on human resources, geographical aspects as well as the financial limitations of the Organization must be kept in mind. It would be desirable to concentrate on the tasks in that area that were of relevance to all Member States, including countries in transition. Such tasks included development of entrepreneurial activities, privatization and training of managers for small- and medium-scale enterprises.

55. Turning to item 10 on activities in the field of restructuring, including privatization, he said that privatization was a key to the economic reforms being carried out in his country. Because it was being instituted on such a massive scale, the privatization process itself was extremely complex and its consequences must be considered with great care. The process did not automatically ensure effective production or balanced structures. Governments must therefore formulate priorities and stimulate the expansion of privatized enterprises and the coordination of their activities; his delegation supported the efforts made by the Secretariat in that area.

56. The problem of restructuring and privatization was of relevance not only for developing countries, but also for economic reform in countries in transition. His delegation was greatly interested in receiving consultative services from UNIDO in

that area. The incorporation of that objective in the Secretariat's plans would be desirable.

57. His delegation was pleased with the expanding contacts between Russian organizations and the Secretariat and considered that the participation of UNIDO representatives in the seminar on privatization held in Moscow had been very useful. Additional financial and staff resources should be allocated to UNIDO's activities in the area of privatization. His delegation advocated strengthening the department dealing with the subject and believed it should coordinate UNIDO's activities in such a way that privatization became an integral part of the entire process of industrial restructuring.

58. Mr. GALAT (Observer for Ukraine), speaking on item 4, said his delegation fully endorsed the view that the collapse of central planning and the absence of a substitute market mechanism had reduced income and productivity levels. There was no doubt that the breakdown of the centrally planned economies in Central and Eastern Europe and the end of the East-West confrontation underlined the need to shift to market methods of development and convert military production capacities to civilian uses. His delegation could not agree, however, with the conclusions of the Special Advisory Group concerning the undesirability of developing special UNIDO programmes on reconversion of military production (see document IDB.11/10, para. 12). It was clear that working out such programmes would not be an easy task. It was also true that UNIDO possessed limited financial and human resources for such activities. Yet solving that problem was essential and had to be achieved on a comprehensive basis, not merely in specific enterprises.

59. Countries of his region were currently undergoing major economic difficulties. In many respects, the problems they faced were similar to those faced by developing countries. But such similarities were only superficial in nature. The economic potential of most countries of Central and Eastern Europe were such that they should be classed with industrially developed countries. The problems they now encountered related not to the lack of a given industrial branch but to the need to adapt such branches to market conditions. UNIDO could provide countries of the region with important assistance, both through the programme for development of small- and medium-scale industries and through the programme on industrial restructuring and modernization, among others. It was not a question of reallocating the Organization's limited financial and human resources to such matters, but rather of seeking and maintaining a just balance of interests among various regions within UNIDO's activities.

60. Mr. ARIZAGA (Observer for Ecuador) said UNIDO should adapt its role to changes in international affairs and the needs of Member States. The new Director-General had no easy task, for he had to ensure an improved distribution of competences within the Organization, furnish adequate financial resources and efficiently carry out activities that would truly benefit developing countries. In addition, the greatest possible savings had to be made and resources expended appropriately on priority activities. A streamlining of internal procedures would enable Member States to benefit from UNIDO's services more rapidly. He thanked the Director-General for the initiatives he had taken in that field.

61. His delegation welcomed the fact that investment promotion activities had increased in 1992 compared with the previous year. It was to be hoped that the same trend would continue in 1993. His country had taken steps to encourage investment and hoped to cooperate with the Secretariat in that area.

62. Referring to the UNIDO Country Director (UCD) programme, he said that maintaining the current number of UCDs was a priority. The activities of Country Directors must be expanded in line with the suggestions made by the Director-General at the ninth session of the Programme and Budget Committee.

63. Turning to item 10 on restructuring, including privatization, he said that a number of measures had been adopted in his country to give effect to its industrial policy objectives. He welcomed the information provided in document IDB.11/24, which showed that privatization had been included in UNIDO's programme and budget since the 1990-1991 biennium. His country had had first-hand experience with UNIDO's large-scale technical cooperation projects, as noted in paragraph 24 of the document. UNIDO should emphasize cooperation with the private sector, especially at the enterprise level. Advisory and institutional efforts were important, but were insufficient. Multilateral aid could not be used to provide direct support to individual enterprises, but UNIDO should strengthen the special trust fund mechanism in order to provide the goods and services required by individual enterprises. The Organization should also work more closely with the Inter-American Development Bank to facilitate the flow of development financing to industrial enterprises in developing countries. Rapidity and efficiency were the major components of successful cooperation in the industrial sector, and UNIDO should simplify and improve its procedures for cooperation with private enterprises.

64. Mr. ARASTOU (Islamic Republic of Iran) said his delegation reiterated its support for UNIDO's human resource development activities, reaffirming their validity as an important instrument for the industrialization of developing countries. The aim should be to facilitate the transfer of technology to developing countries. Human resource development programmes should be tailor-made for developing countries, not only from the standpoint of their economic and industrial situation, but also in terms of psychological, cultural and methodological aspects. To that end, there should be training programmes at the regional and subregional levels for different stages of industrial promotion programmes, particularly in regard to technology transfer and assimilation and technology appropriate to sustainable development. To achieve those goals, UNIDO should help developing countries to strengthen national capacities for carrying out human resource development programmes. Mobilization of institutional and infrastructure facilities in developing countries could lay the foundation for sustainable development in the future.

65. Enhancing the contribution of educational systems to the development of human resources could be very constructive. Accordingly, his delegation had requested UNIDO to carry out, on a cost-sharing basis, on-the-job training courses with contributions from technical universities and institutes in Iran.

66. The documentation on the item showed that, in 1992, UNIDO had carried out more than 50 per cent of its interregional training programmes in two countries alone. It was to be hoped that in future the same monopoly would not apply in human resource development programmes within UNIDO.

67. Mr. RUSINSKI (Observer for Poland), speaking on agenda item 10, said that the four countries in the Visegrad group had accumulated vast experience in building up - indeed, in creating from nothing - the basic institutions of the market economy. In his country, the imperative of privatization had acquired particular importance because of the collapse of an economic system based almost exclusively on State-owned enterprises. Poland's programme of privatization was one of the cornerstones of its entire systemic transformation. The programme was implemented on the basis of two options: capital privatization and privatization through liquidation. Poland was ready to share its experience, through UNIDO, with other countries, particularly those in the developing world.

68. Document IDB.11/24 presented UNIDO's activities in the area of industrial restructuring on several levels: policy and strategy, institutions and enterprises. The balanced presence of UNIDO at all those levels must be maintained. His country greatly appreciated UNIDO's integrated approach to industrial restructuring at enterprise level, in conjunction with its activities in the field of investment promotion. UNIDO could try to specialize further in the areas of preliminary diagnosis, feasibility studies, business plans, selection of foreign partners providing possible contacts with sources of credits for modernization, preparation of applications as requested by banks and training of management and labour. Training activities should be aimed at enhancing the ability to adjust of staff in the restructured enterprises. In the case of countries undergoing economic transformation, such training should not be concentrated exclusively in small- and medium-scale enterprises. Training of staff of State-owned enterprises with a view to increasing the efficiency of their operations would contribute to enhanced productivity and facilitate subsequent privatization.

69. Poland was benefiting from UNIDO's integrated approach to the restructuring of industrial enterprises. The technical assistance involved had been supported by a generous contribution from the Government of the United Kingdom. The first 10 pilot restructuring studies had been carried out, and a programme to cover four more enterprises was being prepared. That contribution reflected the donor country's appreciation of UNIDO's expertise and its confidence that the funds would be efficiently used.

70. Mr. RIANOM (Indonesia), speaking on item 4, said the development pattern of the past 40 years no longer made it possible to raise funds. It was likely that traditional donors would continue to reduce their development assistance because they, too, were dealing with major socio-economic changes.

71. Governments in developing countries faced major challenges in their efforts to improve standards of living, combat poverty and decrease unemployment. In seeking to revise their economic development strategies, they had concluded that small- and medium-scale industries must be promoted as cornerstones of long-term social progress. For those reasons, his delegation fully supported UNIDO's programmes and strategies designed to stimulate the effectiveness of small- and medium-scale industries in developing countries. It urged the Organization to make its policies more operational so that the comprehensive package of services would be fruitful for the developing countries.

72. Turning to item 8, he said that human resource development was designed to realize the capabilities, skills and self-reliance of peoples, especially in the developing countries. Any improvement in the quality of human resources should parallel the growing requirements for skills, expertise and professional services across the broad spectrum of development activities. Human resource development was also part and parcel of any effort to alleviate poverty.

73. One of the Board's main tasks must be to strengthen international cooperation for human resource development. Without the availability of adequate human resources, industrialization could not be effectively undertaken, and programmes and plans could not have real prospects for implementation. Human resource development should place emphasis on quality rather than quantity. In view of future challenges and the impact of the globalization process, programme managers in human resource development should be encouraged to centre their efforts on people, especially needy groups such as women, young people and the poor. Economic and technical cooperation among developing countries should be enhanced within human resource development programmes as an essential means of increasing the self-reliance of developing countries. Indonesia's second long-term development plan had been directed towards improving the quality of life and the mobility of people, thereby developing national resilience and optimizing benefits for individuals while enhancing human dignity in all its dimensions.

74. His delegation supported the integrated approach advocated by the Jakarta Plan of Action on Human Resources Development. In promoting various aspects of human resource development, UNIDO should increase its cooperation with other organs of the United Nations system.

75. Mr. AL-ERYANI (Observer for Yemen) said that due emphasis had been placed in UNIDO human resource development activities on the linkage between human resource development and the transfer of technology, in particular advanced technology, as well as the development of endogenous capabilities in training institutions in the developing countries. However, despite those commendable achievements, the funds provided for the UNIDO human resource development programme were insufficient for the basic needs. He therefore urged the Director-General to endeavour to allocate greater funds to that important programme. He also hoped that the professional staffing of the Industrial Human Resource Development Branch could be strengthened.

76. He welcomed the note concerning the in-depth evaluation of UNIDO industrial human resource development activities (IDB.11/CRP.3), and said that account should be taken of the role played by industrial human resource development in the development and transfer of technology, and in

particular advanced technology, to the developing countries. He noted with satisfaction the activities of the Organization in such fields as the training of managerial staff in modern methods of manufacturing spare parts and equipment, using advanced technology, in Africa, Asia and Latin America. He also noted the endeavour to expand the mandate of UNIDO in that field to include social and educational aspects. The basic task of UNIDO in the field of human resource development was focused on the training of industrial executives, factory managers and supervisors, and researchers in technology. In order to avoid any conflict regarding areas of competence, the social and educational aspects should be left as basic components of human resource development to the international institutions specialized in those areas. He hoped that his remarks would be of benefit to the Task Force on Priorities and Structural Reform of UNIDO, which his delegation supported.

77. Mr. SARBU (Romania) said that the current session of the Board was taking place at a time of profound transformations that were shaping a new world. Also UNIDO faced new challenges, which would mean a reassessment of its future role and a reorientation of its programmes. It was discouraging to note the substantial decline in resources for the current programming cycle and the poor outlook for the medium-term plan for 1994-1999, particularly in view of the difficulties facing most Member States. Indeed, for many of the countries in transition, earlier hopes of a swift and painless transformation to market economies had proved unrealistic. The complexity of the process had been underestimated: radical change would take longer and cost far more than had initially been anticipated. His country was nevertheless firmly committed to continuing the restructuring of its economy and was implementing a strategy for economic and social reform.

78. The emphasis that UNIDO policies now placed on small- and medium-scale industry as one of the medium-term plan priority areas constituted an approach that was both timely and relevant for his country, in view of the need to develop private entrepreneurship. Although the results achieved to date had only been partly satisfactory, the private sector had over the previous three years expanded from an insignificant level to more than 25 per cent of GDP. The programme of support to private entrepreneurs was designed to bring about a further significant increase in the number of small- and medium-scale private industries and in their share of the national economy, to encourage enterprise activity, particularly in branches with high rates of growth and fast-expanding domestic and foreign demand, and to implement new mechanisms and procedures to support small and medium-sized enterprises.

79. A further medium-term plan priority area of relevance to his country was industrial rehabilitation and modernization. In view of the significant decline in public investment and the low level of direct foreign investment in Eastern Europe, the more efficient use of existing installed capacities and improved productivity were the most economic means of achieving growth, competitiveness and profitability. The focus of the national rehabilitation programme was shifting towards the restructuring and privatizing of State-owned industry, and steps were being taken to eliminate plants that were inefficient, over-concentrated or uneconomically sited or suffered from overcapacity. The extensive privatization programme initiated that year had begun with offers of shares in small firms being made to employees under a simplified management and employee buy-out scheme and would continue with offers to domestic and foreign investors to bid for shares in medium-sized companies.

80. His country was determined to expand its cooperation with UNIDO. There were opportunities for formulating concrete programmes to restructure and modernize Romanian industry, and he was confident that UNIDO could offer appropriate advisory services in that connection. At the same time, his Government was ready to examine UNIDO projects and activities in whose implementation Romanian expertise and experience could be of benefit to the developing countries.

81. Mr. AL-TAIFI (Saudi Arabia) said, with regard to the UNIDO programme for small- and medium-scale industries (see document IDB.11/14), that it was important to provide assistance to the developing and the least developed countries in the area of small- and medium-scale industries in view of their flexibility, dynamic adaptation to changing market conditions and ability to respond to technological innovation, and their contribution to employment. However, small- and medium-scale industries lacked the resources to benefit from opportunities for growth, modern management methods and familiarity with markets and marketing strategies. UNIDO was therefore called upon to provide consultancy and guidance to such industries, in particular with respect to training and marketing, and to encourage discussion of important development issues. His delegation hoped that the findings of the interdepartmental working group analysing technical cooperation activities undertaken by UNIDO in the field of small- and medium-scale industries in recent years (see document IDB.11/14, para. 19) would be made available in good time for the forum of experts scheduled for September 1993. Finally, his delegation supported the proposal contained in paragraph 20 of document IDB.11/14.

82. Mr. FADLALLA (Sudan), referring to the progress report on the work of the Task Force on Priorities and Structural Reform of UNIDO (IDB.11/CRP.4), noted that the Constitution of UNIDO provided in Article 1 that the primary objective of the Organization was "the promotion and acceleration of industrial development in the developing countries"; that included the least developed countries, which were given particular mention in Article 2. According to Article 1, the Organization was also to "promote industrial development and cooperation on global, regional and national, as well as on sectoral levels". He hoped that those guidelines would be taken into account by the Organization in setting its priorities. The Mauritius Declaration adopted by the recent meeting of the Conference of African Ministers of Industry contained priorities for industrial development in Africa. He hoped that the UNIDO Task Force would incorporate those priorities in its own set of proposals. The UNIDO medium-term plan contained basic programmes and priorities, and the Task Force should take the medium-term plan into account in submitting its proposals. The future programmes and priorities of UNIDO should take into account the programmes for the least developed countries. UNIDO should follow up the recommendations of the Second United Nations Conference on the Least Developed Countries and, on that basis, devise effective

programmes to enable the least developed countries to accelerate their industrial development. One of the foremost priorities would be the development of appropriate technologies in tandem with human resource development for the industrial sector.

83. Cooperation between the developing countries was important for the development of self-reliance and endogenous capabilities, and should therefore be given a prominent place in the recommendations of the Task Force.

84. The establishment of UNIDO offices in other continents, including Africa, would bring the Organization closer to the developing countries, thus helping it better to understand and respond to the needs of those countries while also allowing considerable savings in financial and human resources. He hoped that that aspect would be given due consideration in the recommendations of the Task Force, and that some of the offices concerned would be located in the least developed countries.

85. Turning finally to privatization, he said that his country had recently completed a three-year economic recovery programme under which a number of industrial, economic and service enterprises had been successfully privatized. The Sudan hoped for UNIDO's support in its privatization efforts.

86. Mr. DE MARIA Y CAMPOS (Director-General), replying to points raised, said that the question of prioritization had to take account of demand patterns emerging in the developing countries and in the economies in transition, as well as the level of economic development and the size of the country concerned, among other things.

87. He noted the interest shown in prioritization in relation to privatization, an area which required a definition of UNIDO's approach in the context of the action taken by other organizations. In the past, UNIDO had responded to demand by Member States for assistance in policy-making, in institutional arrangements and at enterprise level. For 1994-1995 and the future, it would be important to decide what UNIDO should concentrate on, taking into account the work of other organizations. UNIDO was endeavouring to ensure the necessary coordination with other organizations.

88. Another important area was rehabilitation, but it had to be linked to investment, technical cooperation and the environment. Document IDB.11/20 did contain reference to the importance of the environment; for example, section I.2 under subprogramme I mentioned, alongside profitability and competitiveness, the need to ensure environmentally sustainable production, and section I.4 mentioned the consideration of environmental impact and energy consumption. Perhaps that aspect could be given more emphasis.

89. Regarding small and medium-scale industry, there were many ideas from developing and developed countries on the type of prioritization that could take place in that field. There was general interest in the policy and institutional levels, but at enterprise level, too, there was a request for participation, particularly through industrial associations or in individual cases that could have a multiplier effect or be considered pilot cases for a whole branch or region in developing countries.

90. Alongside what might be called the old areas of UNIDO activity, he thought that the big challenge facing the Organization was to think about the new areas in which UNIDO's services were being increasingly sought and what could be done in the future.

91. Coordination with other agencies was fundamental, and he was in the process of reviewing with other organizations the possibility of establishing clear-cut definitions regarding participation in certain areas, and of establishing some concrete programmes of cooperation for the benefit of the developing countries.

UNIDO POLICIES (continued) (IDB.11/27)

MEDIUM-TERM PLAN, 1994-1999 (IDB.11/27, IDB.11/28)

ORGANIZATIONAL AND STAFF STRUCTURE OF UNIDO (IDB.11/25; IDB.11/CRP.4)

NEW CONCEPTS AND APPROACHES FOR COOPERATION IN INDUSTRIAL DEVELOPMENT IN CONFORMITY WITH ARTICLE 2 (C) OF THE CONSTITUTION (IDB.11/13)

92. The PRESIDENT invited the Board to take up consideration of the second part of agenda item 4, "UNIDO policies" (with reference to document IDB.11/27), together with item 7, "Medium-term plan, 1994-1995", item 11, "Organizational and staff structure of UNIDO", and item 14, "New concepts and approaches for cooperation in industrial development in conformity with Article 2 (c) of the Constitution".

93. She would first give the floor to Mr. Balazs, the President of the tenth session of the Board, to introduce document IDB.11/28 on the relative priorities within the medium-term plan, 1994-1999, and UNIDO's future and reform in a changing world.

94. Mr. BALAZS (Hungary), President of the tenth session of the Board, said that, pursuant to decision IDB.10/Dec.8, a series of informal consultations had been held in the last three months to study the relative priorities in the 1994-1999 medium-term plan activities bearing in mind the financial and technical capacities of UNIDO. The consultations had been very open, although some delegations had been worried that the discussion had gone beyond the mandate set by the Board. Most participants had expressed concerns and made proposals on the future role and the necessary reforms of the Organization in a rapidly changing economic environment. The results of the consultations were set out in document IDB.11/28.

95. He would like to add some personal remarks. There were favourable conditions at the present time for the renewal of the Organization desired by Member States. UNIDO also had some undeniable comparative advantages, as listed in the document. UNIDO's efficiency depended largely on its financial capacity and any increase in its resources depended on its credibility. Only an efficient organization, held in respect by its Member States, could attract the necessary funds. With more funds and wider support, the importance of the Organization would grow. UNIDO was a universal organization with one primary objective, namely the promotion and acceleration of industrial development in the developing countries. No country in the United Nations sytem could feel excluded from the assistance channelled through UNIDO. Fundamental changes in the world economy raised new questions in that regard. There were

widely differing situations among developing countries, as well as among the so-called transition economies and the new States that had come into being. Incorporation of the transition economies into international assistance might create new markets and additional donors for less developed countries as well. More and more Member States shared the view that a specialized agency like UNIDO should not overemphasize the importance of traditional geographical regions, covering countries with different economic development levels, but should be guided by Member States' real industrialization needs. Foreign development assistance was needed first of all in the least developed countries. Most other countries were both donors and recipients, with various interactions among them and with the wealthiest net donor countries.

96. UNIDO should be a demand-driven agency. He would urge Governments to make a careful study of the proposed guidelines for priorities. The order of importance of the programme instruments depended on the wishes of the Governments of recipient countries and on the actual level of development of their economies. National Governments should also pay attention to the overall asessment and careful evaluation of assistance channelled through UNIDO. That was valid for countries that were donors, recipients or both. UNIDO and Governments could make joint efforts to ensure that the Organization was better known. In recipient countries, UNIDO's assistance should be widely published, possibly in native languages, to promote access and transparent decision-making for the benefit of companies, with special emphasis on small and medium-sized enterprises and private firms. The enterprise was the ultimate target of UNIDO's development assistance. Assistance was based on the requests formulated by Governments in accordance with their industrial policies, but closer contact with Governments and the private sector would bring fresh air into the Organization.

97. The report should not be considered the end of a short-term exercise, but rather the beginning of a consensus-building effort. It should lead to decisions at the current session of the Board and at the coming session of the Fifth General Conference. The process should be particularly encouraged by those countries in greatest need of development assistance, namely the least developed countries.

98. Mr. DE MARIA Y CAMPOS (Director-General) said that excellent work had been done under the presidency of Mr. Balazs. The three sessions of informal consultations had given the Director-General a chance to hear Member States' concerns and the comments made would be an important input for a proposal for the reform of UNIDO.

99. The task was a challenging and stiumulating one because it must be shown that the Organization could adapt to the new economic, political, technological and social environment. As requested during the recent informal consultations, the Secretariat had presented a brief progress report on the work of the Task Force on Priorities and Structural Reform of UNIDO in document IDB.11/CRP.4. He had established that Task Force on 1 June 1993 to begin the work that would culminate in decisions by the Member States at Yaoundé.

100. The Member States and the Secretariat attached the highest importance to the efforts to establish revised priorities for UNIDO's programmes in the light of contemporary conditions. That would be the basis for the restructuring of the Organization. Everybody was aware of the need for reform, but it was necessary to acknowledge the complexity of the task. Much of the work was still in progress and it had been decided to present a report with some broad conclusions and some guidelines. He was convinced that it was necessary to look closely at what industrialization currently meant and what UNIDO could do for developing countries and for international economic cooperation in the new world structure. There were two stages defined in the proposals: an analytical phase, aimed at getting a better picture of requirements, priorities and possible competitive advantages; and a proposal phase for proposing a new organizational structure for UNIDO, based on the conclusions reached in the analytical phase. An assessment had therefore been undertaken of projected demand for UNIDO's services in the developing regions. That was a difficult undertaking, as it was necessary to assess not only existing demand, but also the emerging demand pattern in the light of technological and other developments and changes in competitive capability. It was also necessary to look at the financing modalities. It was then necessary to relate emerging demand and financing patterns to specific activities, ranging from the development of an enabling environment to the development of an institutional technological infrastructure. It was also necessary to assess the comparative advantages of UNIDO and consider key areas. UNIDO's multidisciplinary expertise should be fully utilized. Human resources must be assessed and the present skill mix reviewed vis-à-vis the envisaged future demand. Many of the areas now of specific interest to developing countries had not existed two or three years previously.

101. Finally, the areas of concentration would have to be grouped into units of critical mass in terms of numbers of staff competent in the specific disciplines, together with the development of critical linkages between such units to ensure an efficient organizational base. That required determination of the critical mass for substantive activities and for the necessary supportive research activities, together with financing of such activities. The Secretariat would do its utmost to resolve the problems connected with the restructuring of priorities. It was often necessary to reconcile diverging views regarding, for example, the geographical versus substantive focus, the need for excellence, the need to merge previously more visible programmes into larger programmes and activities and the selection of key niches for UNIDO services in the future.

102. The Secretariat looked forward to guidance, support and understanding from Member States in that complex task, and it was hoped that a proposal would be ready for consideration by Member States in the autumn.

103. Mr. MUEGGE (Director, Strategy, Policy and Planning Office), Chairperson of the Task Force on Priorities and Structural Reform of UNIDO, said that the first stage of the exercise had been an assessment of the demand of the developing countries and the countries in transition and, on that basis, the identification of the key areas

for UNIDO's programmes. The findings of that assessment coincided with points that had already been raised. Thus, it had emerged that there was a need to create an enabling policy and institutional environment for sustained industrial development and competitiveness. A second point was that the private sector, being a major agent for industrial development, needed to have a conducive environment and support for investment. Many Governments were developing a new regulatory framework, for which they might need guidance and support. Thirdly, an active interest was evident in promoting foreign direct investment and associated know-how and technology transfers, in order to gain access to foreign markets and to remain competitive. The fourth area was the increasing need for concentrated efforts to upgrade technology and to enhance information systems to cope with increasing competition. The fifth concern of the countries studied related to small-scale industry and its twofold importance: firstly, to generate entrepreneurship for poverty alleviation and, secondly, to build up competitive systems between large- and small-scale industries where small-scale industries played the role of suppliers of services and specialized components. Sixthly, there was a need to look at the regional disparities that had emerged within many countries, necessitating policies and institutional and other support to generate regional development from below and to facilitate infrastructural improvements in the core regions. Another area related to the emergence and strengthening of regional groupings to facilitate the setting up of larger integrated industrial conglomerates and larger markets. The final point was the full awareness of the countries concerned of the environmental impact of industrial development and the need for proactive efforts in that area.

104. It had been confirmed that there was a strong demand for integrated technical cooperation services, rather than for individual, partial services, which might have been a feature in the past. That had prompted the compilation of development goals. If an integrated development programme was to be pursued, it would be necessary to focus on some perceived goals, based on the emerging demand pattern.

105. Six objectives (see document IDB.11/CRP.4, paras. 8-13) had so far been tentatively identified. The first was to promote self-sustained industrial growth. Some countries had witnessed an erosion of their established structures and greater attention should be given to building up indigenous capacity, in technology or in other services, or in trying to build a renewal process into the industrial structure to permit sustainable growth. The second goal was to promote equitable development, seeking to raise living standards and provide food and other essentials in poverty-stricken countries, regions and segments of the population. This would involve promoting small-scale industry to alleviate poverty, supporting the agro-industry and building materials subsectors and promoting rural industrialization, including entrepreneurship for women. The third objective was the development of human resources. It was necessary to develop entrepreneurial, technological and managerial skills and also to foster skill-intensive industries, so that the new skills were productively used in skill-based industries. The fourth objective was to promote environmentally sustainable development. That would include identifying problem industries, in terms of environment pollution and energy consumption, trying to apply clean technologies and providing advisory services on national policies. The fifth objective related to the international competitiveness of developing countries, involving advisory services to policy makers, competition policies as well as competitive structures, and the building up of industrial services to provide support to the manufacturing sector. At enterprise level, it meant promoting quality management, standardization, productivity, etc. The sixth and final objective was to foster international industrial cooperation; that covered the efforts to increase international investment cooperation and technological cooperation, including enterprise- to-enterprise cooperation, twinning agreements between institutions and, very importantly, subregional and regional groupings among the various countries concerned.

106. The aim was not to indicate any degree of focus in UNIDO activities or to indicate the structural pattern that UNIDO was endeavouring to work towards, but rather to help develop a substantive link between UNIDO programmes and developmental goals, to facilitate measurement of the impact of programmes on development and to make it easier to link UNIDO programmes with those of other multilateral and bilateral agencies.

107. It was necessary to identify the common activities that catered for all those objectives. Secondly, it was necessary to see which activities UNIDO should focus on to achieve an optimum impact for its services, given changing inter-agency cooperation, the scarce resources at Headquarters and the dynamic comparative advantages perceived for UNIDO. Thirdly, what supporting activities, logistic services and field representation would be needed to enhance those efforts? Finally, what professional profile was needed for Headquarters staff?

108. Mr. GUTIERREZ (Chile) said that his delegation's position on the approach to be adopted regarding the matter of UNIDO's restructuring and reorganization remained unchanged: it was essential first to examine the functions of the Organization before dealing with the question of its structure.

109. UNIDO had in the past been dependent on UNDP for funds for its programmes and had remained a mere executing agency. That situation had radically changed, and the Organization should now choose between two courses of action. It could become an industrial development bank, a solution which, although offering considerable advantages, would be unfeasible owing, among other reasons, to lack of political will. Alternatively, it could continue as a service organization but, without UNDP funding, it would be necessary to decide on the types of services which UNIDO could provide and for which funds would be available. As part of the new structure, it would be important to have a unit capable of mobilizing funds and identifying sources of finance, or research projects of other organizations in which UNIDO could become involved. Other important functions of the future UNIDO should include dissemination of information, e.g. on markets and technologies, and work in the areas of competitiveness, marketing and subcontracting networks. His delegation also attached great importance to the development of small and medium-sized industrial enterprises. Financing would be available, either

nationally or internationally, for activities in that area. The Organization's successful investment promotion programme was sufficient in itself to justify the continued existence of UNIDO.

110. The Organization needed a flexible structure, able to respond to demand and equipped with an infrastructure that would enable it to face the major challenges of development and provide appropriate solutions. The idea of an organizational structure with three departments, each headed by a Deputy Director-General, should be abandoned in favour of an arrangement involving several small units having no more than three or four decision-making levels, rather than the traditional pyramid structure. The Deputy Directors-General should form a collective group with the possibility of taking certain decisions and with responsibility for specific key activities such as fund-raising, project financing, competitiveness, small and medium-sized enterprises, strengthening of national capabilities, etc., relevant to the work of practically all the sections of the Organization. That would allow both coordination and the decentralization of decision-making. An appropriate methodology was also needed to ensure permanent links with Member States and industrial actors. In that connection, serious consideration should be given to the question of UNIDO's decentralization.

111. Although the organizational arrangement he suggested would represent a departure from the traditional structure of international organizations, he thought that it would provide UNIDO with the best framework for its operations in a changing world, bearing in mind its limited funds and the variety of demand, which rendered any attempt to impose rigid priorities difficult.

The meeting rose at 7.05 p.m.

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Eleventh session

SUMMARY RECORD OF THE 6th MEETING

Held at the Vienna International Centre, Vienna,
on Thursday, 1 July 1993, at 10 a.m.

President: Mr. YIMER (Ethiopia)
later: Mrs. MACHADO QUINTELLA (Brazil)

CONTENTS

Agenda item		Paragraphs
4	UNIDO policies (continued)	1 - 62
7	Medium-term plan, 1994-1999 (continued)	
11	Organizational and staff structure of UNIDO (continued)	
14	New concepts and approaches for cooperation in industrial development in conformity with Article 2 (c) of the Constitution (continued)	

The meeting was called to order at 10.10 a.m.

UNIDO POLICIES (continued) (IDB.11/27)

MEDIUM-TERM PLAN, 1994-1999 (continued)
(IDB.11/27, IDB.11/28)

ORGANIZATIONAL AND STAFF STRUCTURE OF UNIDO (continued) (IDB.11/25; IDB.11/CRP.4)

NEW CONCEPTS AND APPROACHES FOR COOPERATION IN INDUSTRIAL DEVELOPMENT IN CONFORMITY WITH ARTICLE 2 (C) OF THE CONSTITUTION (continued)
(IDB.11/13)

1. Mr. PUTHO (Thailand) said that UNIDO needed to alter its role and structure in order to reflect changes in world political and economic structures, the United Nations and the tripartite system of development. The reform of the Secretariat should be based on the principle that UNIDO should be driven by demand, in areas in which it was competent, in promoting and accelerating industrial development in developing countries within the five priority areas and three common elements of its rolling medium-term plan.

2. The new structure of UNIDO, and in particular the number of deputy directors-general, required a compromise between political and management considerations. Decision-making authority within the Organization should be as decentralized as possible and consideration should be given to setting up UNIDO regional offices where needed. Proposals for the structure of UNIDO had been submitted to the Board by the Asian Group at the tenth session. He hoped the Director-General would submit detailed proposals to the Board on the restructuring of the Secretariat, taking into account the Asian Group's suggestions, at a resumption of the present session, which should take place before the fifth session of the General Conference. He pointed out that those suggestions had included a request to the Director-General to prepare a working document containing information on restructuring measures adopted by other United Nations bodies. The restructuring would be a painful process for those concerned, but it was essential in order to achieve greater economy and effectiveness in the work of the Organization.

3. Mr. SARBU (Romania) said that UNIDO had to become a modern, flexible and efficient institution in order to meet the targeted needs of Member States and establish its credibility among them. There were three valuable sources of contributions to the debate on the restructuring

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of the Organization: the suggestions made by the Director-General in his opening statement at the present session, as well as the action he had already taken; the report on the informal consultations conducted in April 1993 by the President of the Board at its tenth session (IDB.11/28); and the progress report of the Task Force on Priorities and Structural Reform of UNIDO (IDB.11/CRP.4). He welcomed the Director-General's assurances that the restructuring process would not impair the functioning of the Organization, and particularly that of the Investment Promotion Service, during the transitional period. The Bureau of the Board, the Director-General and the Task Force should carefully analyse the material he had mentioned and formulate recommendations to be submitted to the forthcoming session of the General Conference through the Board at a resumption of its present session. Staff restructuring should reflect the principle of securing the highest standards of efficiency, competence and integrity with due regard to recruiting staff on a wide and equitable geographical basis. All Member States should have some representation in the Secretariat.

4. In the medium-term plan, the three key factors of human resource development, mobilization of financial resources and development and transfer of technology should be interrelated in order to achieve the necessary critical mass to produce the desired changes.

5. He appreciated the new ideas on industrial development cooperation set forth in document IDB.11/13 and suggested that the item should be a regular feature of the agenda of the Board and the General Conference, in order to stimulate a continuing search for new ways of meeting the Organization's challenges. He approved UNIDO's drive for new investment opportunities, for example within the framework of the Black Sea Economic Zone, where a regional investment bank had recently been established. He welcomed the build-operate-transfer (BOT) method of implementing infrastructural and industrial estate projects, which was effective in attracting foreign investment and promoting privatization. It had recently been mooted by UNIDO as a component of private sector infrastructural development under the programme of the Second Industrial Development Decade for Africa. It was also useful in countries in transition, where it was known as MOT (modernize-operate-transfer), as a means of upgrading existing industry and infrastructure with a minimum of investment.

6. He was confident that under the leadership of the new Director-General, UNIDO, acting in close consultation with Member States, particularly net donor countries, would meet the needs and expectations of the developing countries.

7. Mr. HELLER (Mexico) said that the informal consultations on relative priorities within the medium-term plan, 1994-1999, had not succeeded in establishing an order of priorities for the implementation of programmes and projects by the Organization. One reason was the confusion which existed about the components of industrial development, UNIDO's instruments for pursuing it and the targets on which the Organization should focus.

8. UNIDO should restructure itself quickly in order to meet the new and changing industrialization needs of developing countries and to accommodate a severe reduction in traditional sources of financing from UNDP. It had increasingly been recognized that UNIDO should be the coordinating centre in the United Nations system for industrial development, so that it could fulfil the mandates established in its Constitution and the Lima Declaration and Plan of Action. The Organization should be restructured on the basis of its three main functions: helping to develop industrial development policies and strategies; carrying out industrial development operations at regional, country, sectoral, branch, programme and project levels; and efficiently administering available human and material resources in order to reduce operating costs.

9. It must be decided whether UNIDO should be simply an executing agency for technical cooperation projects, financed from whatever source, or whether it should assist countries in achieving their industrial development targets through practical means such as industrial investment promotion, technology transfer, consultancy, global and sectoral industrial studies, human resource training and the preparation and implementation of industrialization and enterprise management plans. The Organization was an intergovernmental body whose mandate extended beyond mere technical assistance. It should therefore be restructured in such a way as to be able to fulfil the various goals set in its Constitution and by its governing bodies. A balanced programme of activities should be established so as to meet the manifold industrialization needs of Member States.

10. The number of deputy directors-general in the Secretariat should be the result and not the precondition of any restructuring process. He believed that the Fleischhauer agreement (General Assembly document A/39/376) should be interpreted to mean equitable geographical distribution of posts at all levels in the Secretariat, and not simply at the deputy director-general level as had been the case. He expressed firm support for the Director-General in the restructuring work and trusted that the Secretariat's proposals for reform would be presented to Member States for consideration in the autumn, with a view to an appropriate decision being adopted at the fifth session of the General Conference.

11. Mr. KUME (Japan) said that the situation in developing countries was becoming increasingly complex. The gap between North and South and even within the South was widening. He reiterated the importance of assistance and cooperation from developed countries, and from the United Nations system, to developing countries. Meanwhile UNIDO faced a financial crisis, which had to be resolved urgently, as a result of the withdrawal of Canada from the Organization and the new UNDP successor arrangements.

12. He commended the President of the Industrial Development Board at its tenth session, the Director-General and the Task Force on Priorities and Structural Reform of UNIDO for their work on relative priorities within the medium-term plan, 1994-1999. He hoped the Secretariat would act on the findings of the Task Force. A paper submitted by his delegation at the informal consultations on relative priorities had outlined the following principles. UNIDO should be demand-oriented, it should maintain neutrality and objectivity and it should be managed as

effectively and efficiently as its human and financial resources permitted. Secondly, it should clearly prioritize target countries, among which the least developed countries should have first priority. With regard to middle-income countries, the emphasis should be on the provision of information, technical advice and promotion of international cooperation so as to encourage them to graduate to the stage of self-reliance. In order to concentrate on specific sectors, the technical expert staff of UNIDO should be reintegrated and restructured. The Organization should target the institutional level in beneficiary countries and, at the request of a Government, assist individual enterprises. With regard to functions, it should focus on research, analysis and formulation of projects and advise and assist with project implementation. In middle-income countries, its activities should be concentrated on the provision of information as well as promotion of economic and technical cooperation among developing countries.

13. On the question of structural reform and rationalization of the Secretariat, there should be one deputy director-general. The Secretariat should be divided into three sectors: administration, planning and coordination, and operations. Appraisal, evaluation, audit and project follow-up activities should be emphasized, in order to free UNIDO from its present heavy reliance on the United Nations Development Programme. He hoped that agreement would be reached on the reform of UNIDO at the forthcoming session of the General Conference. He supported the idea of forming a special working group on the subject which would submit its recommendations to the General Conference through the Board at a resumption of the present session.

14. His country was endeavouring to increase its official development assistance (ODA) both bilaterally and multilaterally. The amount for 1992 was $11.3 billion. The Government had recently set a target of $70 to $75 billion for 1993-1997. In addition to its assessed contribution, it had contributed $10 million to trust funds and $15 million to the Industrial Development Fund (IDF). More than 50 per cent of the trust fund contribution was allocated to projects in Africa. The IDF contribution had been used mainly for investment promotion in developing countries. Japan would continue to support UNIDO's activities. He was confident that UNIDO's reforms would be carried out and that the Organization would survive.

15. Mr. KELLAND (Observer for Denmark), speaking on behalf of the European Community and its member States, said that UNIDO should play an effective role in promoting sustainable industrial development within the framework of the reform of the United Nations system as a whole. The best way of ensuring that would be for the Director-General to submit consolidated proposals to Members on priorities and structural reform the following September for discussion by the Board in October 1993, at a resumption of the present session, so that decisions on the subject could be reached at the fifth session of the General Conference. Those proposals should take account of statements delivered to the Board at the present session.

16. The following points were of special importance. Given that UNIDO had limited resources at its disposal, prioritization and greater focusing of work were necessary. Emphasis must be placed on activities in which UNIDO enjoyed significant comparative advantages, such as its neutrality and the fact that it combined analytical capacity with technical assistance at three target levels - policy, institutional framework and enterprises. The needs of developing countries should be decisive factors in the selection of priorities. UNIDO should have in-house expertise only in areas where critical mass could be realized; if it spread its resources too thinly, it could not deal effectively with the problems it was asked to address. The Community and its members advocated the maintenance of a small core of staff experts to cover key sectors of long-term significance, together with a roster of experts upon whose services UNIDO could draw as and when required.

17. Of the three target levels he had mentioned, it was the institutional framework level at which capacity-building, including the strengthening of managerial capacity, was most effectively carried out. Institutional framework activities should take place mainly where they would have an impact at the enterprise level. At the policy level, UNIDO did not have a normative role like most other specialized agencies, but it should have a function in matters such as standardization, quality control and environmental issues. The main product to be supplied by UNIDO was industrial technical assistance; the aim of assistance at the policy level should be to promote the creation of an enabling environment. At the enterprise level, the multiplier effect of assistance should be an important consideration; adequate criteria must be developed to avoid market distortion; and projects should be relevant to activities at the other two target levels. At all three levels the criteria for selection and implementation of UNIDO activities should be the same, irrespective of the source of funding. Varying needs must be recognized, and consequently different approaches applied, for activities in individual countries. As far as possible, implementation of activities at the country level should be integrated, so as to ensure that technical cooperation, investment promotion and policy advice were mutually supportive.

18. Adaptation of the departmental and overall structure of the Organization was the responsibility of the Director-General, but Members had to take a number of decisions in order for the Director-General to implement his plans to the full. The Community and its members reserved their position on the subject until they had seen the detailed proposals of the Director-General at a resumption of the present session. They were firmly convinced that decisions on reform would have to be adopted by the General Conference at its fifth session. The appropriate changes would ensure that UNIDO was of relevance to both recipient and donor countries, and would considerably increase the impact and efficiency of the Organization, thereby enabling it to attract more voluntary funds.

19. Mr. CHEN Shiqiu (China), speaking on agenda item 7, said that the fundamental role of UNIDO, as described in its Constitution, must not change as a result of the international upheavals of recent years, although some adjustments to the Organization were clearly necessary.

20. With regard to its priorities over the years UNIDO had established broad cooperation with industry, government departments, research institutions and enterprises world-wide,

accumulating a considerable body of information and experience in the process. However, only if that cooperation was suitably concentrated could priorities be met. The two priority sectors of activity for UNIDO were technical assistance, including economic and technical cooperation among developing countries; and promotion of industrial investment, including transfer of technology. Because of their differing stages of development, not all countries had the same needs, and were free to choose whichever kind of help they preferred. In the case of China, the need was for industrial investment. The Organization's achievements in technical cooperation and in the execution of UNDP projects were to be commended. China would welcome the opportunity to participate in the national execution of projects.

21. The various departments of the Secretariat must adapt their approach to programmes in order to achieve their goals. In promoting direct foreign industrial investment, for example, UNIDO could assist recipient countries by recommending reforms designed to improve the investment environment and helping in the preparation of investment policies and strategic sectoral programmes; by training staff for that purpose; and by assisting in the preparation of meetings and documentary material designed to promote industrial investment. UNIDO must expand its technical assistance and industrial investment activities so as to promote the flow of investment capital to developing countries.

22. In order to guarantee UNIDO's success, there must be a clear-cut distinction between its functions and those of other United Nations agencies; the United Nations Conference on Trade and Development, for instance, was also involved in industrial cooperation. The two bodies must adopt different priorities in order to avoid duplication. UNIDO must grasp the opportunities offered by the recent political and economic changes throughout the world, clearly identifying development goals and carving out a new, independent role for itself. His delegation was confident that the execution of the medium-term plan, 1994-1999, would result in a new and revitalized Organization.

23. With regard to the organization and staff structure of UNIDO, only when new priorities had been identified for the Organization's work could that problem be solved. Structural reform was not merely a question of increasing or decreasing the number of posts in the Secretariat, but must take place on the basis of the priorities in question. In the process of reform, the Secretariat and its various departments must look beyond their own interests in order to serve the wider interests of Member States.

24. Mr. MARTIN (United States of America) said that, against a background of worsening financial problems, Member States had been unable to reach a consensus on a proposal for reorganization or to agree on the activities to which UNIDO should give top priority. That was partly because they could not agree on the Organization's primary role. His delegation believed that prioritization and reorganization were crucial to UNIDO's ability to survive as an institution in an era of rapid economic change and increased competition. Member States must rescind the Roethlisberger decision, which linked deputy directors-general to departments, in order to give the Organization the flexibility it needed to consider proposals made to it. Resolving UNIDO's identity crisis was the key to solving problems associated with its reorganization and prioritization, and therefore one of the most urgent problems facing the agency. The Organization's role should be defined as quickly as possible so as to facilitate a decision on restructuring at the fifth session of the General Conference. UNIDO's form should be based on its function, and he trusted that the Director-General's proposals would proceed from that premise.

25. In view of the financial constraints facing the Organization, primary consideration should be given to structures with no deputy director-general or only one. Member States, in electing a new head, had demonstrated a renewed commitment to exploring the Organization's strengths. The time had come for them to effect changes that would demonstrate to national authorities, potential donors and beneficiaries of UNIDO's programmes and projects, that the Organization was an effective and efficient vehicle for the delivery of technical assistance. That was the only way to ensure the future of UNIDO.

26. Mr. PRUSAK (Observer for the Czech Republic), speaking on behalf of his own country, Hungary, Poland and Slovakia - the Visegrad Four - said that not only the developing countries but all Members of UNIDO should have access to its expertise and cooperation. The Visegrad Four had long provided developing countries with assistance and had themselves been temporary beneficiaries of foreign assistance, channelled through UNIDO, in the pursuit of economic change. They supported the idea of defining the role of countries in transition with a view to further cooperation with UNIDO.

27. Those four States faced serious problems resulting from the collapse of their former socio-economic system, which had coincided with the beginning of efforts to set up a new system based on market economics. The transformation they were undergoing brought problems that could not be solved quickly, since time was needed to rebuild the devastated structures inherited from the previous system. Many of the problems faced by countries in transition were very similar to those faced by developing countries. UNIDO should work with, and where necessary assist, countries in transition in their efforts to address the tasks with which they were confronted. The Visegrad Four were not merely seeking assistance; enhanced involvement in international economic and industrial cooperation could further industrial development world-wide, as well as their own industrial development. They had provided hundreds of high-level experts for various UNIDO projects and had followed that up with comprehensive in-plant training programmes, often provided at nominal cost. As world leaders in certain fields, they could compete with the most advanced industrial countries in providing affordable services of the highest quality. The developing countries could clearly benefit from the expertise of countries in transition. If UNIDO actively promoted cooperation between countries in transition and developing countries, the Visegrad Four, which met their financial obligations to UNIDO punctually and in full and regularly allocated sizeable resources to the Industrial Development Fund, could perhaps

provide more in the way of contributions to the Organization's work than they would receive in the form of technical and other assistance.

28. Ms. GRADIN (Observer for Sweden) welcomed the progress report on the work of the Task Force on Priorities and Structural Reform of UNIDO (IDB.11/CRP.4) as a preliminary sketch of what its new structure might contain. However, the process of identifying the new role and the concrete tasks of UNIDO, which involved showing how the Organization should deal with different sectors and themes, was only just beginning. Its role must be demand-driven; at the same time, while closely following economic and industrial trends and consequent needs among client countries, it must be guided by its comparative advantages. The critical mass concept must be another guiding principle for UNIDO, as well as the Organization's universality: no country or region should be excluded from cooperation with UNIDO, even though its main responsibility was towards the developing countries. The Organization must be more selective in determining its range of services and discontinue many activities as new, pressing demands arose. The Director-General would have to address that issue resolutely and unsentimentally.

29. UNIDO must be active on three levels: the government, the institutional framework and the enterprise. On the government level it should focus on policy advice that would help to create an enabling environment for industrialization. On the institutional framework and enterprise levels it should target governmental and private business associations with a view to achieving the maximum result. The Organization's assistance should place emphasis on small- and medium-scale industries and on entrepreneurship that was conducive to urban and rural employment and the eradication of poverty. UNIDO should seek to be a catalyst in the country concerned, wherever possible on a regional basis. Investment promotion, through intensified cooperation with development banks, should be another priority area for UNIDO's work. South-South as well as interregional trade and the exchange of technology and other know-how should also be encouraged as far as possible. The Organization had a vital role to play with regard to environmental sustainability in industrialization and in the follow-up to the United Nations Conference on Environment and Development and Agenda 21. That role should be clarified. The reference to the relative position of UNIDO within the totality of industry-related development assistance organizations in paragraph 3 of the progress report of the Task Force (IDB.11/CRP.4) did not seem to recognize that such organizations as the World Bank, which was not specifically concerned with industry, were working in the same areas as UNIDO. An explanation was needed as to how UNIDO related to such organizations with regard to the six themes listed in chapter III of that document.

30. In the development of human resources for industry, measures must be taken to remove gender imbalances in education, training and employment. If more women worked in the modern sector of industry, a great deal of poverty among women and children would be eliminated. She hoped that UNIDO would prepare a suitable input on the subject for the Fourth World Conference on Women, to be held in Beijing in 1995. She had high expectations of UNIDO in the fulfilment of Agenda 21, the Rio Declaration on Environment and Development and the final document of the World Conference on Human Rights. The Director-General should improve the representation of women in the UNIDO Secretariat, particularly at senior and decision-making levels.

31. While the Director-General had a wide mandate to carry out changes with regard to the structure and staff of UNIDO, changes relating to its operations and priorities should be decided by the Board. The present session should therefore be resumed, possibly in October 1993, in order to assess the state of the reform process before the fifth session of the General Conference.

32. Mrs. Machado Quintella (Brazil) took the Chair.

33. Ms. WIIG (Norway) supported the proposal to reconvene the Board later in the year in order to discuss and finalize the proposals on the reform and restructuring of UNIDO, which would have to be approved by the General Conference at its fifth session. That might be the last chance to put the Organization into a position to maintain its claim to a central role in industrial development. She congratulated the Director-General on the progress already achieved by the Task Force on Priorities and Structural Reform of UNIDO and urged Member States to share with the Secretariat their views on the crucial reform work over the coming months.

34. Her Government emphasized the need for selectivity in the range of services provided by UNIDO, a point that had been made by the Task Force. However, its report (IDB.11/CRP.4) listed a very ambitious range of activities which, though highly relevant to industrial development, were too broad in scope to be dealt with by a relatively small organization such as UNIDO. The Task Force should therefore concentrate on setting priorities in the next stage of its work. The future of UNIDO lay in deciding what were its main strengths and where its efforts were most needed. While her Government hoped that a restructured UNIDO would attract more voluntary funding, it would be wrong to be too optimistic about that prospect. Under present international economic circumstances, it might be that limits to financing the Organization's work were already established. That should be a major consideration in the development of the new structure.

35. Two elements deserved further consideration in the future work of the Task Force. The first was that of "critical mass", which was closely linked to priority setting. Being a small organization, UNIDO had to concentrate on a limited number of fields in which it could be competitive and could complement the work of other development agencies. It might therefore need fewer but stronger organizational units. Development assistance targeted three levels: government - the policy level - institutions and enterprises. It would seem the obvious course for UNIDO to concentrate on the institutional level. That would create the maximum multiplier effect and permit the transfer of information and technology to recipient countries without distorting the market, a point which was important in the action of an intergovernmental agency.

36. Member States had two constructive roles to play in the transformation of UNIDO. The first was to promote and approve reform which concerned the fundamental mission of the Organization, and the second was to take decisions that would lead

to a Secretariat structure which combined efficiency, flexibility and adaptability. Details of the Organization's structure should remain almost entirely the responsibility of the Director-General.

37. Mr. WOTAVA (Austria) said that UNIDO's present difficulties were caused by changes in the global economic environment and by certain structural inadequacies in the Organization. The necessary reform had to address both factors.

38. Commenting on points dealt with in the report submitted by the President of the Board at its tenth session (IDB.11/28), he said that any potentially useful idea about priorities for UNIDO's work should be considered, whether or not it fell within the formal framework of the medium-term plan. Neither donors nor beneficiary countries seemed to have a clear picture of the impact on their economies of assistance channelled through UNIDO. It should not be too difficult for that situation to be remedied if the Organization's services were properly marketed. He welcomed the widely positive appraisal of the UNIDO Country Director programme, particularly as one of the tools in the implementation of United Nations country and regional development strategies. Especially promising areas for priority action were ecologically sustainable industrial development; development, rehabilitation and promotion of the private sector, with emphasis on small- and medium-scale industries; and investment promotion. The functioning of UNIDO's policy-making organs should be improved, but it should be remembered that decision-making was not necessarily a question of procedure where political issues were involved.

39. It was urgently necessary, for UNIDO's recovery, to define a clear role for the Organization and establish viable priorities for its activities and methods. He appealed to all Members to spare no effort to reach agreement on the question of priorities in time for the next session of the General Conference. They would have only themselves to blame if UNIDO were not given timely guidance on that important policy matter.

40. The organizational reform of UNIDO was closely related to its efforts to come to grips with changing economic and political circumstances and their repercussions on industrial development. He welcomed the report of the Task Force (IDB.11/CRP.4) for defining various restructuring issues, but it provided no clear assertions on the practical consequences which they entailed.

41. His delegation highly valued the work of the women's unit in the Secretariat for integrating gender concerns into the Organization's activities. Since the unit provided advisory services to Governments and institutions, and since its expertise was required by technical departments of the Secretariat, it should be regarded as a substantive unit and should not be affected by any move to abolish coordinating functions within UNIDO.

42. While it was generally agreed that organizational matters should be dealt with after functional issues, that did not necessarily imply that the new functions of UNIDO should already be in place before the Board began to consider organizational reform. He firmly opposed the idea of postponing useful action that could be taken at once, simply because larger reforms were in the offing. It was essential to take rapid advantage of the momentum created by the election of the new Director-General so as to bring about a credible revival of the Organization, inspiring its staff and sending a clear message to both recipients and donors.

43. UNIDO was in an extremely precarious situation and its very existence would be jeopardized if major donor countries were to follow the example of one of their number by withdrawing from the Organization. UNIDO must become sufficiently attractive to donor countries to convince them that financial resources placed at its disposal for the benefit of developing countries would be money well spent.

44. Mr. PERMANAND (Trinidad and Tobago) broadly agreed with the report on the informal consultations on priorities and reform (IDB.11/28). UNIDO's primary objective was to promote the industrial development of the developing countries; it should not assist the least developed countries exclusively.

45. In the past year his Government had adopted stringent fiscal and monetary policies as a means of assuring sustainable growth in the medium term. It had also comprehensively reviewed legislation that hampered export competitiveness and had recognized the importance of supporting export enterprises with a full range of technical assistance. UNIDO was well placed to help in that respect, for instance, by providing information on global economic trends and their effect on industry in developing and developed countries.

46. His delegation had found the Secretariat's analysis of privatization obstacles a very useful piece of research. In the Director-General's report on industrial restructuring and privatization (IDB.11/24), the Secretariat made very large claims about the assistance it could provide in that area. Expertise in such matters as company law, corporate finance and auditing was not to his knowledge available within UNIDO. Rather than attempting to supply all the expert services needed for enterprise restructuring and privatization, should specialize in certain forms of assistance. One priority area for countries embarking on privatization would be strengthening the services and institutional sector.

47. UNIDO should proceed cautiously in testing the new concepts for industrial development cooperation outlined in the Director-General's report on that subject (IDB.11/13). His delegation found particular merit in services for integrated programmes of industrial upgrading, venture capital funds, industrial leasing and the application of new management techniques. Those were areas in which UNIDO's expertise could be used to advantage.

48. Mr. VETTOVAGLIA (Switzerland) had difficulty in reconciling the seriousness of UNIDO's problems, and the urgent need to solve them, with the abstract nature of the repeated discussions in its so-called governing bodies. He compared the situation to that on the S.S. Titanic, whose band played on while the ship was going down. Abstraction extended to documents too; as an example, he quoted the last two sentences of the conclusion in the document on new approaches for

industrial development cooperation (IDB.11/13, para. 36). Statements of that kind were of no practical value.

49. The fourth session of the General Conference and the tenth session of the Industrial Development Board had both failed to set priorities for the Organization and restructure it. He did not believe that the present session would produce clear guidelines on those matters for the Director-General. The Board's hopes rested on the UNIDO Task Force on Priorities and Structural Reform, although its first contribution to the debate was difficult to decipher. The Director-General counted on receiving guidance from Member States, but his own delegation was not certain that he would receive anything more than banal generalizations. Only the Director-General and the Secretariat could save the Organization. The Director-General must act swiftly to implement reform and new strategies. The medium-term plan was sufficiently vague to enable him to make the necessary adjustments, if necessary without continuous approval from the Member States. If the Director-General showed the necessary qualities of leadership, UNIDO would survive. If he played the ball back to the Member States, he would run the risk of foundering with his Organization. For the first time, the Swiss delegation feared for the future of UNIDO.

50. Mr. DAMANPAK JAMI (Islamic Republic of Iran), referring to the medium-term plan, 1994-1999, said that the informal consultations, while not leading to tangible results, had paved the way to a final conclusion in the near future. Any redefinition of UNIDO's activities should be done in such a way as to enhance the Organization's ability to achieve its fundamental statutory objectives, but taking care to exclude no potential beneficiary country. The medium-term plan should continue to be UNIDO's principal policy directive, with its five priority areas and three common elements serving as the basis for determining priorities, and with regional differences being taken into account. The Organization should be capable of developing flexibility and a capacity for change, together with a thorough understanding of national and regional needs. It should focus its work on those needs, as identified by recipient Governments, and for that purpose maintain and improve communication with Governments in both donor and beneficiary countries. Intervention by UNIDO at the institutional and enterprise level was very important, but it must be in harmony with national industrial policies. The Organization's programming instruments, as defined in the medium-term plan, were important, but might have to be modified when a new structure was decided on.

51. He agreed that reforms were necessary in the organizational and staff structure of UNIDO. Their purpose should be to achieve a high level of coordination among the different departments; to eliminate unnecessary duplication of effort; to improve the overall administrative management of the Organization; to introduce a mechanism for the regular assessment of performance; and to ensure that the organizational and staff structure reflected the relative priorities of the medium-term plan. Action should be taken on the matter promptly, and in no event later than the forthcoming session of the General Conference.

52. While one dimension of reform was purely technical, relating to the effectiveness and efficiency of the Secretariat, another was political, involving a decision on the number of high-level posts and requiring geographical distribution to be taken into account. In his view the technical aspect should be settled first, after which Member States might reach some compromise on senior posts and ensure that all regional groups were properly represented. As the Organization's chief administrator, the Director-General had primary responsibility for proposing reforms and priorities; he should take advantage of expertise within the Secretariat and the experience of other United Nations agencies, as well as pay heed to the general guidelines given to him by Member States. He therefore welcomed the establishment of the Task Force on Priorities and Structural Reform, whose findings should constitute the main basis for a report permitting the General Conference to come to a compromise decision. Since such a report had not yet been finalized, he supported the proposal to resume the present session of the Board before the fifth session of the General Conference.

53. Mr. TREMEAU (France) said that, while fully endorsing the statement made on behalf of the European Community and its members, he had a few comments of his own to add. France took a deep interest in the revitalization of UNIDO and had played an active part in the informal consultations held for that purpose. The common concern of all Member States was to increase the effectiveness of UNIDO's work, in the interests of both donors and beneficiaries. It was gratifying to note some progress towards greater transparency in the internal functioning of the Organization. Closer collaboration between departments was equally necessary, calling for a more rational distribution of functions. Member States should fully support the efforts undertaken in that respect by the Director-General and the Secretariat, since their interests were the same.

54. The first step was to stabilize the budget by settling the arrears. Savings would have to be made as well, which implied judicious staff reductions and action to prevent the dispersal of the Organization's efforts over areas where it lacked the necessary means to be effective or in which other organizations were already actively involved. The purpose was not to prevent UNIDO from adapting its activities to changing conditions, but to encourage it to do so prudently, bearing in mind its limited resources. The future called for concentration on specific activities in key sectors and the clear definition of priorities and responsibilities. Such action should be carried out in close collaboration with the other specialized agencies and the Bretton Woods institutions. Savings had to be linked organically to the restructuring exercise which the Director-General was undertaking. The three-pronged approach the Director-General had outlined seemed promising and France would support his efforts, as well as those of the Task Force. The restructuring should be as simple and pragmatic as possible, aimed at providing UNIDO with the resources it needed to fulfil its basic mission.

55. France considered that the main thrust of UNIDO's work should be assistance for industrial development policies and strategies; industrial investment promotion; technical support for industrial operations; development of human resources; and the dissemination of information on industrial technologies and processes. Experience showed that the Organization was at its best when it concentrated on assisting small- and medium-scale

enterprises, rather than States, and focused on practical projects. Ideas put forward by other Member States should be carefully examined, but care should be taken not to pursue too many issues at the same time. France looked forward to finding a solution to the problems that had long beset UNIDO and would support all the efforts made by the Director-General to that end, with a view to agreement on reform being reached at the forthcoming session of the General Conference.

56. Ms. IMIANVAN (Nigeria) reiterated her country's view that the proposed reorganization of UNIDO should be guided by the goals of clarity, simplicity, increased technical cooperation and greater country focus. The new structure should incorporate the principles of efficiency and effectiveness while preserving the Organization's constitutional functions. Dwindling financial resources made prioritization a necessity. The priorities had to be based on the five priority areas and the three common themes outlined in the medium-term plan, which remained UNIDO's principal policy document.

57. The industrialization needs of the developing countries should be the principal focus for determining UNIDO's future priorities. The industrialization of sub-Saharan Africa was of particular interest to her own country, which considered that UNIDO's advantages as the lead agency for industrial development should be fully exploited for that purpose. Broad areas of agreement on relative priorities had already emerged, but the scope of reform required further consultations. For instance, a proposal had been made to replace the existing policy-making organs by entirely new machinery, which clearly went beyond the provisions of the Constitution. While the motivation might be to provide the Secretariat with more guidance, she did not believe that a new decision-making structure would necessarily promote confidence and trust in UNIDO. Certainly no rushed decision should be taken on the matter.

58. At a meeting held in Dakar, Senegal, in May 1991, African Ministers of Industry had expressed their support for a leaner, three-department structure for UNIDO, which Nigeria had endorsed. She reaffirmed her country's support for that proposal and considered that the progress report on the work of the Task Force (IDB.11/CRP.4) confirmed the need for such a structure. Any changes should be based on consensus. Moreover, the system that was eventually adopted should respect the principle of equitable geographical representation at all levels, but particularly in regard to the most senior positions. She felt confident that special attention would be paid to the needs of African countries in that respect.

59. She welcomed the information given in the report on new approaches to industrial development cooperation (IDB.11/13), with regard to UNIDO's promotion activities. She urged all Member States to make every effort to enable the forthcoming session of the General Conference to adopt a decision on the organizational and staff structure of UNIDO, as called for in Conference decision GC.4/Dec.22.

60. Mr. BAKSHI (India) said that it had been generally agreed during the informal consultations on UNIDO's future that the aims and objectives of UNIDO remained the same, although global circumstances had changed. Consequently, the means of achieving those objectives must reflect the new circumstances, which called for adaptation to current needs, for example in such fields as restructuring and privatization. It had been widely accepted that structural changes within UNIDO were urgent, must be based on needs, and should meet the requirements of the developing countries while satisfying the donors that funds were being used effectively. In that context, it was essential to select priorities, which in his view should include investment promotion, the transfer of technology and human resources development.

61. Participants in the informal consultations had stressed that any restructuring must follow rather than precede the definition of priorities. Much time and effort had been spent on the issue of the number of deputy directors-general - an approach to the problem which had not proved productive. All such arrangements should await the finalization of the proposals on priorities. However, that should not prevent the Director-General from undertaking some vigorous streamlining within his present powers and prerogatives. It had also been agreed in the consultations that ways and means of improving UNIDO's financial situation must be given high priority. Efforts to diversify sources of funding should continue, as well as efforts to ensure the timely payment of contributions. Without a stable financial position, all other action would be fruitless.

62. There had been general agreement that the working of the policy-making bodies must be improved, with a view to ensuring optimum results. Some of the findings of the Task Force had been presented to the Board: they gave much food for thought. Under the new Director-General, who enjoyed the Board's confidence and support, Member States should continue to consult among themselves and with the Secretariat with a view to producing consensus conclusions that would make the forthcoming session of the General Conference a turning point in UNIDO's history.

The meeting rose at 12.55 p.m.

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United Nations Industrial Development Organization

Industrial Development Board

Eleventh session

SUMMARY RECORD OF THE 7th MEETING

Held at the Vienna International Centre, Vienna,
on Thursday, 1 July 1993, at 3 p.m.

President: Mrs. MACHADO QUINTELLA (Brazil)

CONTENTS

Agenda item		Paragraphs
4	UNIDO policies (continued)	
7	Medium-term plan, 1994-1999 (continued)	
11	Organizational and staff structure of UNIDO (continued)	1 - 39
14	New concepts and approaches for cooperation in industrial development in conformity with Article 2 (c) of the Constitution (continued)	
9	Guidelines for special trust fund projects	40 - 52
12	Personnel matters:	
	(a) UNIDO Staff Pension Committee for 1994-1995	53 - 57
	(b) Women in the Secretariat	
13	Administrative matters: Joint Inspection Unit	58 - 59
16	Preparatory arrangements for the fifth session of the General Conference	60 - 74
17	Matters related to inter-governmental, non-governmental, governmental and other organizations	75 - 87

The meeting was called to order at 3.15 p.m.

UNIDO POLICIES (continued) (IDB.11/27)

MEDIUM-TERM PLAN, 1994-1999 (continued) (IDB.11/27, IDB.11/28)

ORGANIZATIONAL AND STAFF STRUCTURE OF UNIDO (continued) (IDB.11/25; IDB.11/CRP.4)

NEW CONCEPTS AND APPROACHES FOR COOPERATION IN INDUSTRIAL DEVELOPMENT IN CONFORMITY WITH ARTICLE 2 (C) OF THE CONSTITUTION (continued) (IDB.11/13)

1. Mr. HART (Observer for Australia) said that the documents before the Board revealed a basic agreement on the crisis faced by the Organization and the need for significant change to enable UNIDO to retain its place as a major agency of the United Nations system. The consultations conducted by Mr. Balazs had sought to mobilize the will of the membership to face up to the current difficulties facing the Organization, but the limited results of the consultation process reflected the limited willingness of Governments to state their preferences for the future of the Organization in detail.

2. The arrangement of the ideas in the progress report of the Director-General's Task Force on Priorities and Structural Reform of UNIDO (IDB.11/CRP.4) provided a very useful starting-point for an analysis of the challenge and the required response, although the subsequent steps, also alluded to, were both the most important and the most difficult. The Task Force would need to apply the priority principle to the framework of key themes and objectives sketched in

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paragraphs 4-14 of the report. Regarding the objectives developed in paragraphs 8-14, his delegation would give priority to four of them. The first was the promotion of self-sustained industrial growth discussed in paragraph 8, including an emphasis on the private sector and the need to provide advisory services for the creation of an enabling policy framework and the building of institutional capacities. The second was the development of human resources for industry, as discussed in paragraph 10. The third was set out in paragraph 11, concerning an active contribution to environmentally sustainable industrial development. The final priority objective was the fostering of international economic industrial cooperation, with particular emphasis on the mobilization of financial, technical and other resources, bearing in mind the critical role of investment and technological transfer.

3. His delegation urged the Director-General to be bold and forward-looking. Although it was natural for the Secretariat to seek guidance and support from the membership in developing proposals, the Director-General would have done his duty if he offered the membership a clear and coherent vision for the future, encompassing a clear statement on future priorities. If the membership dissented, then it would have to reach a consensus on an alternative view. His delegation associated itself with the statement made by the representative of Denmark at the 6th meeting, and looked forward to receiving the Director-General's proposals in due course.

4. Whatever the future direction and priorities of UNIDO, the current five-department structure was unsatisfactory. It did not clearly define functions and responsibilities and encouraged internal competition rather than synergy. The five-department structure was the result of short-sighted intergovernmental decision-making and was not of the Secretariat's doing. Details of structure were matters for the management of the Organization and not for the Board. In general, his delegation would prefer fewer departments with a clearer focus of responsibility. The new structure should clearly meet the needs of the Organization in management and organizational terms and reflect the economic circumstances confronting the Organization.

5. His delegation wished to associate itself with the views of other delegations that had already spoken on the importance of women's issues and the role of women in industrial development in the context of the new UNIDO.

6. Mr. GLADILOV (Russian Federation) said that all Member States acknowledged the need to adapt UNIDO's activities and to focus its efforts on the highest priorities and on those universal spheres where its potential could be useful. The five main priority areas, the three general elements of industrial development and the six basic programme resources set out in the draft medium-term plan were, in their scope and content, a good basis for identifying the comparative advantages and relative priorities upon which UNIDO should focus its attention in the future.

7. He shared the view that UNIDO's Country Director programme was an important element in the Organization's field work. In view of the new relationships that now existed, the Secretariat and the Member States might give consideration to the role of Country Directors in the near future, and in particular to the possibility of pooling a number of countries in one region and appointing one regional director if additional extrabudgetary resources were not forthcoming. The problem of saving resources and seeking additional financing opportunities could be resolved if it were decided that the representations of all international organizations in countries should be brought together under one roof.

8. Industrial investment promotion was of particular topicality and importance both for the developing countries and for countries with economies in transition. In the view of his delegation, special attention should be given to the restructuring and modernization of production, and also to industrial planning in conditions of marketization.

9. His delegation commended the Secretariat's work in implementing the agreed new concepts and approaches, especially the promising work in the field of new materials, and in particular their application in aerospace technologies, genetic engineering and biotechnology. That was a very promising area from the point of view of attracting external extrabudgetary financing. On the whole, his delegation supported the new concepts and approaches proposed in document IDB.11/13, and was ready for consultations on them.

10. UNIDO's initiative in seeking new mechanisms for industrial financing merited particular attention. The proposal to set up within the Secretariat a group of experts capable of ensuring the promotion of new industrial financing mechanisms was welcome, but in general any discussion of matters related to the restructuring of the Secretariat should be undertaken on the basis of the agreed new approaches and concepts.

11. He wished to propose the inclusion among the new activities of UNIDO of work on the appraisal of the industrial aspects of privatization and restructuring, as well as on the development of the private sector, and on expanding activities in the areas of attracting investment and the development of small- and medium-scale enterprises. A large number of countries now had economies in transition, and their interests should not be overlooked. The relevant units within UNIDO should be strengthened in terms of staffing and finance. Consideration should be given to the idea that each deputy director-general should also head one of the divisions in his department.

12. He agreed with the view that there was a need for interaction with international financing agencies, including the World Bank, the European Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, and he supported the proposal that a special unit be set up for that purpose.

13. As for the reports of the President of the tenth session of the Board and of the Task Force set up by the Director-General, they had, unfortunately, been received too late to be studied properly. He would be looking forward to hearing more specific proposals from the Task Force.

14. The Organization was still only at the beginning of its path towards working out a clear-cut structure on the basis of criteria which were still to be defined. His delegation urged UNIDO to participate more actively in current efforts to achieve effective coordination in the

socio-economic sector of the United Nations system with the purpose of avoiding duplication and ensuring rational use of resources.

15. UNIDO was an international intergovernmental organization, and his delegation considered it important to preserve the political balance within the Organization. The principle of fair distribution of leading posts among the regional groups should continue to be observed.

16. Mr. BADR (Observer for Yemen) said his delegation hoped that the Director-General would present comprehensive proposals on the subject of human resource development at the proposed resumed session of the Board. The provisions of the Constitution remained in force and the basic objectives for which the Organization had been established should be observed. Its task was to help the developing countries to accelerate their industrial development and to benefit from the achievements of the industrialized countries in that field within a framework of international cooperation. He welcomed the idea of ascertaining the needs of the developing countries in order to draw up programmes. The Task Force should seek the most effective means of doing so. Otherwise, restructuring would have a weak foundation and would not reflect reality. Particular attention should be paid to the needs of the least developed countries. The needs of the developing countries differed from country to country, and indeed there were differences in level of development within individual countries. The Task Force should therefore avoid repeating the past mistake of prescribing a single remedy for all ills. His delegation believed that the medium-term plan provided a sound general framework for priorities.

17. Mr. BARRY (Guinea) said that, in the light of the extensive and rapid political and economic changes occurring in different regions of the world, the Director-General was taking appropriate steps to reform the programme and structure of UNIDO, with a view to making the Organization more flexible and effective in accomplishing its main task under the Constitution, namely the promotion of industrial development in the developing countries. He was sure that the priorities of Africa with regard to industrial development, as set out by the the eleventh meeting of the Conference of African Ministers of Industry, would be taken into account.

18. His delegation supported the Director-General's initiatives. It was convinced of the need and urgency of re-examining the organization, structure and staffing of UNIDO so that they might be improved and reinforced to permit an effective response to the accelerated industrialization needs of the developing countries, particularly in Africa, a continent with many of the least developed countries. His delegation hoped that, among the three deputy directors-general to head the three departments proposed by the Conference of African Ministers of Industry in connection with the restructuring of UNIDO, one deputy director-general post, at the head of an important substantive department, would be reserved for Africa.

19. His delegation also hoped that the services dealing specifically with the Second Industrial Development Decade for Africa and the least developed countries would be strengthened and provided with greater human and material resources, notably through the redeployment of internal resources.

20. His delegation hoped that the steps taken by the Director-General to reform the programme and structures of UNIDO would also increase the utilization of expertise existing in developing countries and permit improved cooperation with the local private sector to enable it to play a greater role in the process of industrial development in the countries concerned.

21. His delegation supported the initiatives taken by UNIDO in that area at the meeting of the Conference of African Ministers of Industry and at the Subregional Meeting on the Promotion of Industrial Cooperation in Western Africa recently held at Abidjan.

22. His delegation did not think it would be possible to give precise indications regarding the restructuring of UNIDO during the present week and suggested that the session be resumed when consultations were completed.

23. Mr. ARCILLA (Philippines) said that it was gratifying to note that Member States had maintained their interest in defining the relative priorities of UNIDO and that progress had been made.

24. Although no concrete results had yet been achieved, the consultations under the able leadership of Mr. Balazs, President of the tenth session of the Board, had clearly indicated the various positions of the Member States. Mr. Balazs's report (IDB.11/28) indicated the key issues of significance to Member States and brought out the areas of diversity; it provided a solid basis for finalizing a concrete proposal and programme of action for a new UNIDO. His delegation wished to highlight its particular interest in and support for the guidelines for establishing priorities outlined in paragraph 26. In implementing those guidelines, it was suggested that the practice of setting annual priority themes, as in other organizations, might be adopted to resolve different preferences in regard to priorities. Both the substantive objectives and the programme instruments defined in the report should form part of the fundamental elements of the final decision on the reform of UNIDO.

25. With regard to the target levels for UNIDO's interventions, the three levels of government, institutional framework and enterprise were organically linked and should continue to be the main channels for UNIDO's services in an integrated fashion.

26. UNIDO had a unique role in the industrialization of developing countries and every opportunity to strengthen the Organization should be seized. Its statutory objectives and purposes remained valid. What was required was to sharpen the focus of its activities and to set up the appropriate machinery that could best deliver the differentiated services desired on a country- or region-specific basis.

27. His delegation did not favour rigid retention of a political structure that would not serve the functions of the Organization. UNIDO should be restructured in accordance with the new functions envisaged for it.

28. His delegation recognized the genuine attempt being made by the Director-General and the Secretariat to assist Member States in the endeavour to reform the Organization. It welcomed

the progress report in document IDB.11/CRP.4 and shared the views expressed therein, particularly as far as the six objectives were concerned. The primary objective of promoting self-sustained industrial growth merited unqualified support. His delegation looked forward to the completion of the Director-General's work and hoped that the broad concepts formulated in the first stage could be crystallized into specific proposals, including a new structure for the Organization.

29. His delegation joined others in the hope that the Yaoundé Conference would see the foundation of a new and revitalized UNIDO.

30. Mr. ONSY (Egypt) said that his delegation had taken part in all the consultations on priorities and structural reform of UNIDO. There appeared to be agreement on the objectives and foundations of those consultations. The aim of restructuring was to enhance the effectiveness of the Organization while maintaining its original objectives, to make the Organization more flexible and to streamline and adapt its procedures to changing world conditions. Structural reform had necessarily to respond to the priorities set, providing a logical basis for future activities. The setting of priorities should be guided by the needs of the Member States, not by the capabilities of the Organization in particular areas. The reforms should be aimed at strengthening the Organization's capacity and giving it the flexibility to adapt itself to the changing requirements of the Member States. Activities should be evaluated in depth so that shortcomings could be remedied. That was also one of the main goals of structural reform.

31. Mr. CHO (Republic of Korea) said that his delegation noted with appreciation the Director-General's reports on efforts to develop a future policy framework for UNIDO and to restructure the Organization. It particularly welcomed the establishment of the Task Force on Priorities and Structural Reform of UNIDO and the progress report in document IDB.11/CRP.4. In the light of the changing environment facing UNIDO today, his delegation strongly hoped that the Director-General's three-pronged strategy approach could proceed more expeditiously and produce a fruitful outcome in identifying the changing role of UNIDO and effecting reforms in the organizational and staff structure. The ultimate aim of restoring the relevance of the Organization to all Member States and radically increasing its efficiency should be fully taken into account. His delegation encouraged the Director-General to complete the ongoing exercise at the earliest possible date and submit concrete proposals to Member States for their consideration. It was to be hoped that a decision could be taken on a broad consensual basis at the fifth session of the General Conference.

32. His delegation commended Mr. Balazs on the way he had conducted the informal consultations called for by the Board in decision IDB.10/Dec.8. The findings summarized in document IDB.11/28 would constitute an important input for establishing UNIDO's future role. His delegation urged the Director-General and the Task Force to reflect those findings in their ongoing exercise, particularly the guidelines for establishing priorities contained in paragraph 26.

33. His delegation wished to reiterate its continued support for the restructuring of UNIDO. Considering the emerging challenges in the changing world and the requirements of Member States and of developing countries in particular, the reform of the organizational and staff structure was urgent. It was essential for UNIDO to survive as a viable institution. His delegation hoped that the discussions on the structure of UNIDO could be finalized as soon as possible, so that UNIDO could be revitalized to effectively meet new challenges and requirements with enhanced operational efficiency and the restored confidence of all Member States.

34. His delegation hoped that, in the process of reform, account could be taken of the following objectives: promotion of efficiency and avoidance of duplication of functions; successful response to the changing world situation, with a focus on the newly defined priorities within the framework of the medium-term plan, 1994-1999; enhancement of the quality of services by rationalization of in-house work. Any decision on structural reform should be based on a broad consensus in order to be more effective.

35. His delegation supported the idea of a structure with three departments and three deputy directors-general. It hoped that the new Secretariat with its reformed structure could begin work on 1 January 1994. It supported the idea of a resumed session of the Board in October, to provide an opportunity for intensive discussion of the issue with the benefit of input from the Task Force. It hoped that, at the resumed session, Member States would reach a consensus and prepare a solid proposal for submission to the General Conference.

36. Mr. BALAZS (Hungary), President of the tenth session of the Board, said that the informal consultations had started three months earlier with a great deal of goodwill on the part of the Member States, but there had been no consensus, and it had ultimately not been possible to produce a consensus document. Although he had not achieved his personal objective, the mandate given by the Board had been discharged. He thought that it was time to choose a model for UNIDO. There were perhaps two extreme models: some Member States felt that UNIDO should be a means of channelling aid to developing countries, whereas others wanted an intellectual and technical centre to respond to Member States' demands. He felt that there was no need for such a stark choice: the priorities proposed in the report could be used to adapt UNIDO's services to Member States' needs, depending on their degree of economic development. There were various possible responses. In his view, it was very important for Member States to reach a consensus. There was also a need for understanding between the Vienna-based missions involved in the consultations and their Governments. He had wanted Governments to read the report and take a position, not leaving everything to the current session. Thirdly, there was a need for understanding between the Member States and the Secretariat. A dialogue had begun and should be allowed to continue. A final decision must then be taken at the General Conference session.

37. Mr. DE MARIA Y CAMPOS (Director-General), replying to points raised, said that all speakers had stressed the need for change and reform, but none had said that the task would be easy, and many had pointed to the difficulty of meeting diverse regional and country requirements while at the same time ensuring effective and efficient management. It had been recognized that

establishing priorities and goals at the outset would help bring about a structure that was transparent, flexible, pragmatic and responsive to the changing needs of its clients.

38. Competitiveness was a key to the Organization's success, and its activities would be examined closely in relation to those of other agencies. Performance must be regularly monitored to ensure that UNIDO effectively addressed the industrialization requirements of its client countries. The Secretariat would endeavour to strike a balance between the many suggestions received, in view of the limited resources available. The problems were clear, and a broad range of solutions had been proposed. The Task Force would be working hard in the coming weeks to finalize its conclusions. He would also welcome any kind of effort to arrive at an informal consensus among Member States. The idea of resuming the session of the Board later was a good one, and he would do his best to have a concrete proposal for a resumed session.

39. Mr. WOTAVA (Austria), supported by Mr. HART (Observer for Australia), said he was very satisfied with the establishment of the Task Force, although its membership was perhaps too large. However, it was important not to expect too much from the Member States; they were now waiting to hear what the Secretariat, and the Director-General in particular, would propose on the basis of the Task Force's work. There was little time before the fifth session of the General Conference where the final decision would be taken.

GUIDELINES FOR SPECIAL TRUST FUND PROJECTS (IDB.11/19)

40. The PRESIDENT recalled that the General Conference, in its resolution GC.4/Res.28, while approving the guidelines for the development, appraisal, approval and implementation of special trust fund projects, had requested the Director-General to prepare some additions to them for submission to the Board, and that the Board, at its tenth session, had addressed further requests to the Director-General (decision IDB.10/Dec.14). In response to those requests, the Board had before it a report by the Director-General on changes in procedures for development and appraisal for special trust fund projects, which was contained in document IDB.11/19.

41. Mr. BEHRENS (Deputy Director-General, Department for Programme and Project Development), introducing the agenda item, said that the changes made in procedures were reflected in the revised administrative instructions for the development, appraisal, approval and implementation of special trust fund projects, contained in the Director-General's Bulletin UNIDO/DG/B.73/Rev.2 of 1 June 1993. The Board might wish to consider recommending to the General Conference the approval of the additions to the guidelines proposed in paragraphs 11 (a) and (b) of document IDB.10/15, aimed at emphasizing that the developmental aspects would be the leading principles for accepting special trust fund projects and that the appraisal criteria for such projects, as with all other UNIDO projects, would give due consideration to their relevance, cost-effectiveness and sustainability.

42. Mr. GRISHAEV (Russian Federation) noted the growing significance of the special trust fund system, which was particularly important in the light of the changed relations with UNDP. He commended the results of the Secretariat's efforts to implement General Conference resolution GC.4/Res.28 and Board decision IDB.10/Dec.14. He had noted the information contained in paragraph 3 of document IDB.11/19 concerning amendments to the Director-General's Bulletin UNIDO/DG/B.73/Rev.1; the amendments were in line with the decisions mentioned and took into account the need for transparency and a uniform approach.

43. His delegation did not in principle object to the suggestion in paragraph 4 of document IDB.11/19 regarding the delegation of authority for project approval, but it would require a change to paragraph 7 of General Conference resolution GC.4/Res.28 which made the approval of such projects by the Director-General mandatory, and it would also be necessary to change financial regulation 106.1.

44. He noted with satisfaction that, unlike the proposals submitted by the Secretariat to the Board at its tenth session in document IDB.10/15, the suggested improvements did not require the allocation of additional resources. His delegation had no objection to the additions to the guidelines proposed in subparagraphs (a) and (b) of paragraph 11 in document IDB.10/15.

45. Mr. VELAZQUEZ (Peru) welcomed the Director-General's report on changes in procedures for development and appraisal of special trust fund projects contained in document IDB.11/19, which represented a step forward in response to the request made by the Board at its previous session. Special trust funds were one of the pillars of UNIDO's participation in industrial development, and the guidelines and procedures concerned should be sufficiently flexible to meet the requirements of individual regions, countries and markets.

46. The Secretariat should continue its efforts to accelerate the process of industrial restructuring, while continuing to seek greater efficiency and effectiveness in meeting the needs of industrial enterprises in the developing countries. It should also intensify its cooperation with development finance institutions at the international, regional and national levels, in order to facilitate and improve the implementation of industrial development programmes financed by development banks.

47. Mr. WANG Zhixi (China) said that the Secretariat and the Member States should expand cooperation in the growth area of special trust fund projects, and flexibility should be maintained in their implementation. His delegation hoped that the Board would recommend to the General Conference approval of the additions to the guidelines proposed in paragraphs 11 (a) and (b) of document IDB.10/15 in the context of the amendments to the Director-General's Bulletin UNIDO/DG/B.73/Rev.1. Finally, he wished to inform the Board that the Government of China had decided to contribute US$ 400,000 to the Industrial Development Fund in 1993.

48. Ms. IMIANVAN (Nigeria) noted with satisfaction the information provided in the documents before the Board and the growing interest of both public and private enterprises in cooperating with UNIDO through third-party or self-financed trust fund arrangements, and welcomed the increase both in the total value of project budgets approved for

implementation in 1992 under special trust fund schemes and in expenditure on technical cooperation activities. Nigeria was pleased to have been one of the beneficiaries of the scheme. The high ratio of self-financed to third-party financed projects reflected a positive measure of confidence of developing countries in UNIDO which had continued to use the scheme to mobilize resources for the provision of services, not only to government establishments but increasingly to private industrial enterprises. She endorsed the proposed additions to the guidelines in the context of the amendments to the relevant Director-General's Bulletin.

49. Mr. TALIANI (Italy) said he endorsed the proposed revision of document IDB.10/15 and the additions to the guidelines for special trust fund projects, but stressed that maximum flexibility should be maintained in the utilization of special trust funds, which might well become one of the Organization's main tools for funding technical assistance in the future.

50. Mr. RAMIREZ LANDAZURI (Ecuador) said, by way of general comment, that UNIDO's role must be seen in the light of the far-reaching economic and political changes in the world today, the international economic crisis affecting the developing countries more particularly, and the process of liberalization currently under way in many developing countries, including his own. Those considerations called for a new approach on the part of UNIDO within its restructuring process, which would be decisive in enabling countries, especially developing countries, to expand and improve their industrial base.

51. Priority should be given to the transfer and appropriate use of advanced technology, advice on legislation, the revitalization and rehabilitation of industrial subsectors, and national strategies and priorities dovetailing with UNIDO's priority objectives. Efforts to obtain financial resources should continue and all necessary steps should be taken to expedite the conclusion of projects involving funds from the recipient countries themselves. Ecuador had recently concluded an innovative technical assistance project of that kind with UNIDO, for the rehabilitation of a large company of which the State was the majority shareholder. Other similar ways might be found of increasing UNIDO's financial capacity, sensitizing international financial institutions and donors, and meeting the urgent needs of the developing countries. In conclusion, an increase in special trust funds was necessary, as was a certain degree of flexibility. The proposed revision of the relevant bulletin was satisfactory.

52. Mr. BEHRENS (Deputy Director-General, Department for Programme and Project Development) said that, with the revisions proposed to the relevant Director-General's Bulletin and the positive reactions from Member States as reflected in their statements, work on developing new procedures for the development and appraisal of special trust fund projects was nearing a successful conclusion. The programme, which, as had been pointed out, was becoming one of UNIDO's main tools for funding technical assistance, now had the potential for further development. Account would be taken of the statement by the Russian Federation and of the need for flexibility urged by several speakers.

PERSONNEL MATTERS (IDB.11/30):

(a) UNIDO STAFF PENSION COMMITTEE FOR 1994-1995 (IDB.11/9)

(b) WOMEN IN THE SECRETARIAT (IDB.11/10, chap. VII.A, IDB.11/11, chap. XVII)

53. Mr. SZABO (Hungary), referring to sub-item (a), said that, since Mr. Zador would not be available for a new term of office after 1993, his delegation wished to recommend Mr. Stephen Szivós for membership of the UNIDO Staff Pension Committee for the 1994-1995 biennium.

54. The PRESIDENT said that due note had been taken of that nomination.

55. Ms. WIIG (Norway) asked whether there would be an oral statement by a representative of the Staff Council, as in the past.

56. The PRESIDENT said it was her understanding that, given the time constraints and the submission of a statement by the Staff Council as a Board document (IDB.11/30), there would be no oral presentation at the current session.

57. Ms. WIIG (Norway) said she would not insist on an oral presentation, but wished to draw Board members' attention to the document containing the statement of the staff of UNIDO.

ADMINISTRATIVE MATTERS: JOINT INSPECTION UNIT (IDB.11/12)

58. The PRESIDENT proposed that, if there were no comments, the Board should take note of the information provided in the note of the Secretariat in document IDB.11/12.

59. It was so decided.

PREPARATORY ARRANGEMENTS FOR THE FIFTH SESSION OF THE GENERAL CONFERENCE (IDB.11/26)

60. Mr. ALEXANDRENNE (Deputy Director-General, Department of External Relations, Public Information, Language and Documentation Services) said that the forthcoming session of the General Conference, to be held at Yaoundé, Cameroon, was a particularly important event and provided an opportunity to lay the foundations for a new UNIDO and for renewed international cooperation in the field of industrial development.

61. He drew attention to the annotated tentative provisional agenda of the fifth session, annexed to document IDB.11/26, and in particular to the proposed addition of a subparagraph (iii) entitled "Special trust funds" to agenda item 9 (a).

62. In planning the schedule of work, as in the past, account should be taken of the time required in plenary for the general debate and for possible voting on some items. In the past, statements in the general debate had been limited to seven minutes. As at previous sessions, the Board might wish to recommend the establishment of a main committee or similar procedure for the fifth session, keeping in mind that the possibility of creating additional committees was limited by the resources available. Concerning the organization of the debates, all substantive items should be considered together in the general debate. Those

items would also be referred to the main committee for a debate aimed at the preparation of consensus draft decisions and resolutions for submission to the plenary.

63. The work of previous sessions had been greatly facilitated by the setting up of an informal contact group for the preparation of the Conference. The contact group, composed of representatives of permanent missions to UNIDO in Vienna, would meet regularly before the Conference to prepare draft decisions and consider organizational matters.

64. The recent meeting of the Conference of African Ministers of Industry in Mauritius had agreed on a common position on certain items on the agenda of the fifth session of the General Conference. Similar activities might usefully be organized in other regions.

65. The Task Force established in the UNIDO Secretariat in January 1993 to assist in the preparations of the Conference had met on several occasions and had submitted recommendations on a number of subjects. One of the recommendations concerned contacts with the host country. He had led a mission to Yaoundé in June to discuss with the authorities of Cameroon arrangements for the fifth session. On 15 June 1993, a presidential decree had been passed establishing a "UNIDO Commission" responsible for coordinating all arrangements to ensure the smooth running of the Conference. The UNIDO delegation had taken part in the first meeting of the Commission. The delegation had been received at the highest level of government. It had established contacts with several hotels and had visited the conference centre (Palais des Congrès). Three main questions had been discussed with the authorities, namely the Government's financial obligations, to be met by 28 June 1993, questions concerning the security of property and persons during the Conference, and the reliability of the conference facilities and accommodation arrangements.

66. The authorities had provided assurances that sums owed would be transferred to UNIDO's account before 28 June 1993, despite the country's financial difficulties. They had confirmed that, in conformity with the agreement signed between the parties, measures would be adopted in good time to ensure the security of property and persons taking part in the Conference. The director of the conference centre had been informed of changes needed and arrangements that should be made in regard to equipment. The Ministry of Communication had taken due note of the additional telephone lines that must be installed, and it would do what was necessary.

67. Hotel accommodation was available for those attending the session. The delegation had reminded members of the UNIDO Commission of the need for the host country to draft a brochure in two or three languages describing facilities, hotels, etc. The brochure should be issued in July 1993 for advance distribution to participants, and UNIDO could assist in distribution. The delegation had also stressed the Government's responsibility with regard to logistical support, transport and provision of the necessary local staff, the job descriptions of which had been given to the Government. The delegation had proposed to members of the Commission that in September 1993 another mission be sent to check on the progress made in preparations for the General Conference, and that proposal had been accepted.

68. Turning to another of the Task Force's recommendations, concerning a symposium on the industrialization of the least developed countries (IDB.11/26, para. 18 (b)), he said that the symposium should discuss the financing of the Industrial Action Programme for the Least Developed Countries.

69. The fifth session of the General Conference would be of historic importance, and there must be a thorough substantive discussion on industrial development and UNIDO's new role. In that context, the Board might wish to recommend that statements in plenary should focus on a number of important substantive items only, and that regional organizations define their position for the Conference in advance.

70. In addition to the executive summary of the Global Report, two substantive documents were being prepared for the Conference: on challenges and opportunities for the industrial development of developing countries and regions in the context of global economic changes and on challenges and alternatives for industrial development in Africa. A draft declaration was to be prepared in which UNIDO's new orientations, as well as its new functions, would be outlined. A programme for media coverage of the event had been worked out and was to be coordinated with the media in the host country.

71. The Board might wish to adopt the following practical measures: finalize the provisional agenda for the session on the basis of the draft contained in decision IDB.10/Dec.19; decide on the documentation to be prepared for the Conference on the basis of the information in the annex to document IDB.11/26; make recommendations to the Conference concerning the allocation of items to a main committee of the Conference and the limitation of the general debate to certain important themes; and recommend that an informal contact group be organized for the preparation of the session.

72. Mr. ELOUNDOU MANI (Cameroon) endorsed the statement made by the representative of Mauritius at the 5th meeting concerning the position of the African countries towards UNIDO. He reiterated his country's support for UNIDO, particularly for its commitment to promoting the development of the private sector and of small- and medium-scale industry and to assisting African countries in their privatization programme and in the revitalization of their industries.

73. The Director-General had spared no effort in preparing for the fifth session of the General Conference, in cooperation with the Government of Cameroon. He confirmed the information given by Mr. Alexandrenne in reporting on his mission to Cameroon. His Government was committed to ensuring the success of the General Conference session. The funds to be used for organizing the session had been allocated and a Commission had been set up to undertake preparations. Although the holding of the session would impose certain sacrifices on Cameroon, his country welcomed the confidence shown in it by the international community.

74. All Member States of UNIDO should make a special effort to assist in the rapid restructuring of the Organization. His Government supported the Director-General's proposal to make the Yaoundé Declaration the cornerstone of the new UNIDO. He hoped that all Member States would be represented in Cameroon in December. Arrangements

would be made to hold an industrial investment forum from 26 November to 3 December as a prelude to the Conference session.

MATTERS RELATED TO INTERGOVERNMENTAL, NON-GOVERNMENTAL, GOVERNMENTAL AND OTHER ORGANIZATIONS (IDB.11/16, IDB.11/18)

75. The PRESIDENT said that she had reviewed with her colleagues in the Bureau the applications from the three intergovernmental organizations that wished to enter into relationship agreements with UNIDO (IDB.11/18) and from the three non-governmental organizations that had applied for consultative status (IDB.11/16), and was recommending two draft decisions to the Board for adoption. The first would read:

"Intergovernmental organizations not in the United Nations system

"The Industrial Development Board:

"(a) Takes note of the information provided in document IDB.11/18;

"(b) Authorizes the Director-General, in accordance with Article 19.1 (a) of the Constitution of UNIDO and the guidelines for the relationship of UNIDO with intergovernmental, governmental, non-governmental and other organizations (General Conference decision GC.1/Dec.41, annex, para. 9) and based on the information contained in the annex to document IDB.11/18, to conclude appropriate relationship agreements with the following three intergovernmental organizations:

"Economic Cooperation Organization (ECO);

"Islamic Educational, Scientific and Cultural Organization (ISESCO);

"Latin American Integration Association (ALADI)."

76. The draft decision was adopted.

77. The PRESIDENT proposed a second draft decision, reading:

"Applications from non-governmental organizations for consultative status

"The Industrial Development Board:

"(a) Takes note of the information provided in document IDB.11/16;

"(b) Decides, in accordance with Article 19.1 (b) of the Constitution of UNIDO and the guidelines for the relationship of UNIDO with intergovernmental, governmental, non-governmental and other organizations (General Conference decision GC.1/Dec.41, annex, para. 17), to grant consultative status with UNIDO to the following three international non-governmental organizations:

"International Academy of Engineering (IAE)

"International Foundation for the Promotion of Privatization and Foreign Investments (FPI)

"Organization of Islamic Capitals and Cities (OICC)".

78. The draft decison was adopted.

79. Mr. FARAZI (Economic Cooperation Organization) said that ECO was an intergovernmental regional organization founded by the Islamic Republic of Iran, Pakistan and Turkey to provide for economic, technical and cultural cooperation among those countries. In 1992, ECO had been expanded to include Afghanistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.

80. The Organization consisted of a Ministerial Council, which was the principal policy- and decision-making organ, a Regional Planning Council, which developed programmes of action for realizing the Organization's objectives, and a Council of Deputies. Activities were carried out through eight technical committees which developed projects and programmes in the fields of industrial, technical, economic and commercial cooperation, transport and communication, agriculture, energy, infrastructure and public works, narcotics and educational, scientific and cultural matters.

81. Industrial collaboration was one of the principal objectives of the Treaty of Izmir, which served as the charter for the Organization. The aim was to promote the production and exchange of industrial goods through viable joint ventures. A start had already been made on liberalizing trade and creating financial institutions that would facilitate greater cooperation in the industrial field among the members of the Organization.

82. ECO was seeking to establish cooperative links with other organizations. It attached great importance to a mutually beneficial relationship with UNIDO, and welcomed the Board's decision to authorize cooperation with it. That decision augured well for the ECO region, which covered a huge land mass inhabited by nearly 300 million people.

83. Cooperation between ECO and UNIDO could be instituted in the areas of: exchange of documentation and information; attendance at meetings; assistance in feasibility studies on industrial projects in the ECO region; establishment of a data bank for information relating to industrial statistics, privatization, engineering consultants, contractors and research and development centres in ECO countries; promotion of standardization and quality assurance in ECO countries; and involvement in the UNIDO System of Consultations.

84. He hoped that close collaboration would be developed between ECO and UNIDO in the years to come.

85. Mrs. OK (Turkey) welcomed the inclusion of ECO among the intergovernmental organizations with relationship agreements with UNIDO. Turkey, as a founding member of ECO, considered that the cooperation between that body and UNIDO would contribute to the enhancement of economic cooperation among States in the ECO region.

86. Mr. ARASTOU (Islamic Republic of Iran) welcomed the decision on the conclusion of a relalationship agreement between UNIDO and ECO. Cooperation would certainly benefit the countries of the region.

87. Mr. HASHIMI (Pakistan) associated himself with what had been said by the representatives of Turkey and the Islamic Republic of Iran.

The meeting rose at 5.35 p.m.

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United Nations Industrial Development Organization

Industrial Development Board

Eleventh session

SUMMARY RECORD OF THE 8th MEETING

Held at the Vienna International Centre, Vienna,
on Friday, 2 July 1993, at 4 p.m.

President: Mrs. MACHADO QUINTELLA (Brazil)

CONTENTS

Agenda item		Paragraphs
-	Introduction of draft decisions	1 - 3
4	UNIDO policies (continued)	4 - 7
8	Development of human resources (continued)	
10	UNIDO activities in the field of restructuring, including privatization (continued)	
4	UNIDO policies (continued)	8 - 13
7	Medium-term plan, 1994-1999 (continued)	
11	Organizational and staff structure of UNIDO (continued)	
14	New concepts and approaches for cooperation in industrial development in conformity with Article 2 (c) of the Constitution (continued)	
5	Annual report of the Director-General for 1992 on the activities of the Organization: (continued)	14 - 65
	(a) UNIDO technical cooperation activities in 1992 (continued)	
	(b) Second Industrial Development Decade for Africa (continued)	
	(c) Special Programme for the Industrial Development of Asia and the Pacific (continued)	
	(d) Regional Cooperation Programme for the Industrial Recovery of Latin America and the Caribbean (continued)	
	(e) Special Programme for Industrial Development in the Arab Countries (continued)	
	(f) Industrialization of the least developed countries (continued)	
	(g) Technical assistance to the Palestinian people (continued)	
	(h) Technical assistance to the South African national liberation movements recognized by the Organization of African Unity (continued)	

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CONTENTS (continued)

Agenda item		Paragraphs
	(i) Economic and technical co-operation among developing countries (continued)	
	(j) Integration of women in industrial development (continued)	
	(k) UNIDO environment programme, including follow-up to the United Nations Conference on Environment and Development (continued)	
	(l) System of Consultations (continued)	
	(m) Development and transfer of technology (continued)	
	(n) Industrial investment promotion (continued)	
	(o) Evaluation of UNIDO programmes and activities (continued)	
6	Report of the Programme and Budget Committee: (continued)	66 - 96
	(a) Scale of assessments (continued)	66 - 74
	(b) Interim financial performance report and programme performance report (continued)	75 - 76
	(c) Programme and budgets, 1994-1995 (continued)	77 - 80
	(d) Industrial Development Fund and other voluntary contributions (continued)	81
	(e) Working Capital Fund (continued)	82
	(f) Joint United Nations/UNIDO Conference Service (continued)	83
	(g) Appointment of External Auditor (continued)	84 - 88
	(i) UNIDO Country Director programme (continued)	89 - 91
	(j) Financial situation of UNIDO (continued)	92 - 96
9	Guidelines for special trust fund projects (continued)	97 - 98
12	Personnel matters: (continued)	99 - 102
	(a) UNIDO Staff Pension Committee for 1994-1995 (continued)	99 - 100
	(b) Women in the Secretariat (continued)	101 - 102
15	Participation of UNIDO in international cooperation to study and mitigate the consequences of the Chernobyl accident (continued)	103 - 104
16	Preparatory arrangements for the fifth session of the General Conference (continued)	105 - 109
18	Date of the twelfth session	110 - 113
19	Adoption of the report of the eleventh session	114 - 115
-	Statement by the Director-General	116 - 123
-	Suspension of the eleventh session	124 - 125

The meeting was called to order at 4.10 p.m.

INTRODUCTION OF DRAFT DECISIONS (IDB.11/L.1-L.29, L.31, L.32).

1. The PRESIDENT said that agenda items 4-12 and 14-16 were still open for the adoption of decisions. A number of draft decisions were before the Board for consideration (IDB.11/L.1-L.29, L.31, L.32).

2. Viscount VILAIN (Belgium), speaking as chairman of the informal consultations established to facilitate the drafting of decisions, said that the drafts on which consensus had been achieved were now before the Board. On a few proposals, the group had been unable to reach consensus.

3. The PRESIDENT thanked the chairman of the consultations for his efforts. The draft decisions approved by consensus in the informal consultations were now being submitted to the Board for consideration as drafts of the President.

UNIDO POLICIES (continued) (IDB.11/L.25, L.26)

DEVELOPMENT OF HUMAN RESOURCES (continued) (IDB.11/L.24)

UNIDO ACTIVITIES IN THE FIELD OF RESTRUCTURING, INCLUDING PRIVATIZATION (continued) (IDB.11/25)

4. The PRESIDENT recalled that the Board had considered part of agenda item 4 ("UNIDO policies") together with items 8 ("Development of human resources") and 10 ("UNIDO activities in the field of restructuring, including privatization"). She invited the Board to resume the consideration of that group of items, and drew attention first to draft decision IDB.11/L.25 on UNIDO policies and the programming of the medium-term plan, 1992-1997, in accordance with current priority areas.

5. The draft decision was adopted.

6. The PRESIDENT drew attention to the draft decision on the development of human resources (IDB.11/L.24).

7. The draft decision was adopted.

UNIDO POLICIES (continued) (IDB.11/L.26)

MEDIUM-TERM PLAN, 1994-1999 (continued) (IDB.11/L.26)

ORGANIZATIONAL AND STAFF STRUCTURE OF UNIDO (continued) (IDB.11/L.26)

NEW CONCEPTS AND APPROACHES FOR COOPERATION IN INDUSTRIAL DEVELOPMENT IN CONFORMITY WITH ARTICLE 2 (c) OF THE CONSTITUTION (continued) (IDB.11/L.26)

8. The PRESIDENT invited the Board to resume consideration of the group of items consisting of the second part of agenda item 4 and of items 7 ("Medium-term plan, 1994-1999"), 11 ("Organizational and staff structure of UNIDO") and 14 ("New concepts and approaches for cooperation in industrial development in conformity with Article 2 (c) of the Constitution"), and drew attention to draft decision IDB.11/L.26 on UNIDO policies and structure and the future policy framework in accordance with priorities in the medium-term plan, 1994-1999, and resource projections, and a reformed organizational and staff structure. Regarding the proposed resumed eleventh session of the Board, she wished to suggest, after consultations with the Bureau and the Director-General, that paragraph (c) (ii) should be amended and that the words "at an appropriate time" should be replaced by "on 28-29 October 1993".

9. It was so decided.

10. Mr. BALAZS (Hungary) suggested that the word "opinions" in the first line of paragraph (b) should be replaced by the word "report", and that the words "those of Member States" in the third line should be replaced by "the opinions of Member States".

11. After some discussion, Mr. FONTES BRAGA (Brazil) suggested that the word "opinions" should be replaced by "report", as suggested by the representative of Hungary, but that the phrase "those of Member States" should be replaced by "the positions of Member States".

12. It was so decided.

13. Draft decision IDB.11/L.26, as orally amended, was adopted.

ANNUAL REPORT OF THE DIRECTOR-GENERAL FOR 1992 ON THE ACTIVITIES OF THE ORGANIZATION: (continued) (IDB.11/L.1, L.2, L.10)

(a) UNIDO TECHNICAL COOPERATION ACTIVITIES IN 1992 (continued) (IDB.11/L.3)

(b) SECOND INDUSTRIAL DEVELOPMENT DECADE FOR AFRICA (continued) (IDB.11/L.13)

(c) SPECIAL PROGRAMME FOR THE INDUSTRIAL DEVELOPMENT OF ASIA AND THE PACIFIC (continued) (IDB.11/L.7)

(d) REGIONAL COOPERATION PROGRAMME FOR THE INDUSTRIAL RECOVERY OF LATIN AMERICA AND THE CARIBBEAN (continued) (IDB.11/L.4)

(e) SPECIAL PROGRAMME FOR INDUSTRIAL DEVELOPMENT IN THE ARAB COUNTRIES (continued) (IDB.11/L.11)

(f) INDUSTRIALIZATION OF THE LEAST DEVELOPED COUNTRIES (continued) (IDB.11/L.23)

(g) TECHNICAL ASSISTANCE TO THE PALESTINIAN PEOPLE (continued) (IDB.11/L.32)

(h) TECHNICAL ASSISTANCE TO THE SOUTH AFRICAN NATIONAL LIBERATION MOVEMENTS RECOGNIZED BY THE ORGANIZATION OF AFRICAN UNITY (continued) (IDB.11/L.8)

(i) ECONOMIC AND TECHNICAL COOPERATION AMONG DEVELOPING COUNTRIES (continued) (IDB.11/L.9)

(j) INTEGRATION OF WOMEN IN INDUSTRIAL DEVELOPMENT (continued) (IDB.11/L.22)

(k) UNIDO ENVIRONMENT PROGRAMME, INCLUDING FOLLOW-UP TO THE UNITED NATIONS CONFERENCE ON ENVIRONMENT AND DEVELOPMENT (continued) (IDB.11/L.14)

(l) SYSTEM OF CONSULTATIONS (continued) (IDB.11/L.6)

(m) DEVELOPMENT AND TRANSFER OF TECHNOLOGY (continued) (IDB.11/L.12)

(n) INDUSTRIAL INVESTMENT PROMOTION (continued) (IDB.11/L.16)

(o) EVALUATION OF UNIDO PROGRAMMES AND ACTIVITIES (continued) (IDB.11/L.5)

14. The PRESIDENT drew attention to draft decision IDB.11/L.1 on the annual report of the Director-General.

15. The draft decision was adopted.

16. The PRESIDENT drew attention to draft decision IDB.11/L.2 on activities in the field of energy.

17. The draft decision was adopted.

18. The PRESIDENT drew attention to draft decision IDB.11/L.10 on drug abuse control activities.

19. The draft decision was adopted.

20. The PRESIDENT said that under sub-item (a), "UNIDO technical cooperation activities in 1992", she was submitting for consideration a draft decision contained in document IDB.11/L.3.

21. The draft decision was adopted.

22. The PRESIDENT drew attention to the draft decision on sub-item (b), "Second Industrial Development Decade for Africa" (IDB.11/L.13).

23. Mr. SARBU (Romania) suggested that, in paragraph (h), the words "of the relevant organizational unit" should be inserted between the words "proper functioning" and "in the Secretariat".

24. Mr. TALIANI (Italy) said that he understood the motivation behind the Romanian proposal, but thought that the Director-General should be left free to modify the Secretariat machinery as he thought best.

25. Viscount VILAIN (Belgium), speaking as chairman of the informal consultations, noted that the point raised by the representative of Romania had already been discussed during the

consultations. The drafting of paragraph (h) represented a compromise solution, and he appealed to the Romanian delegation not to reopen the debate on the issue.

26. Draft decision IDB.11/L.13 was adopted.

27. The PRESIDENT drew attention to the draft decision on sub-item (c), "Special Programme for the Industrial Development of Asia and the Pacific" (IDB.11/L.7).

28. The draft decision was adopted.

29. The PRESIDENT drew attention to the draft decision on sub-item (d), "Regional Cooperation Programme for the Industrial Recovery of Latin America and the Caribbean" (IDB.11/L.4)

30. The draft decision was adopted.

31. The PRESIDENT drew attention to the draft decision on sub-item (e), "Special Programme for Industrial Development in the Arab Countries" (IDB.11/L.11).

32. The draft decision was adopted as amended.

33. The PRESIDENT drew attention to the draft decision on sub-item (f) "Industrialization of the least developed countries" (IDB.11/L.23).

34. The draft decision was adopted.

35. The PRESIDENT said that a draft decision on sub-item (g), "Technical assistance to the Palestinian people", had been submitted by the Group of 77 (IDB.11/L.32).

36. Mr. MARTIN (United States of America) said that his Government had no objection to providing technical assistance to the Palestinian people, as evidenced by its unstinting support of the United Nations Relief and Works Agency for Palestine Refugees in the Near East. It could nevertheless not condone the involvement of UNIDO in areas outside its competence. His delegation would therefore request a vote on the draft decision, which could be taken by show of hands.

37. Mr. LEE (Republic of Korea), speaking on behalf of the Group of 77, said the Group's decision to submit draft decision IDB.11/L.32 had been taken on the basis of a consensus. The draft had been taken from the texts of previous decisions adopted by both the Board and the United Nations General Assembly. The Group had hoped that the draft decision would win universal support.

38. Mr. EL HUSSEIN (Sudan) said the draft did not propose any new initiatives and, in the past, the Board had adopted similar drafts by an overwhelming majority. His delegation had hoped the draft would be adopted by consensus, but since one delegation had called for a vote he would ask that the vote should be taken by roll-call.

39. Mr. AL-GHAIS (Kuwait) said his delegation had gone along with the consensus on the draft decision, despite a number of objections. Kuwait had always supported, and would continue to support, the Palestinian people in their struggle to achieve independence and to free themselves from Israel's grip. However, with regard to paragraph (d) (3), which requested the Director-General to increase UNIDO assistance to the Palestinian people in close cooperation with the Palestine Liberation Organization, no conditions whatsoever should be placed on such cooperation. His country had basic difficulties in cooperating with the Palestine Liberation Organization. Kuwait would nevertheless vote for the draft decision.

40. A vote was taken by roll-call on draft decision IDB.11/L.32.

41. Switzerland, having been drawn by lot by the President, was called upon to vote first.

In favour: Austria, Belarus, Belgium, Bolivia, Brazil, Cameroon, Chile, China, Cuba, Egypt, Ethiopia, Finland, France, Germany, Ghana, Greece, Guinea, Hungary, India, Indonesia, Iran, Islamic Republic of, Italy, Japan, Kuwait, Mexico, Morocco, Netherlands, Nigeria, Norway, Pakistan, Peru, Republic of Korea, Romania, Russian Federation, Saudi Arabia, Slovakia, Spain, Sudan, Switzerland, Thailand, Trinidad and Tobago, Tunisia, Turkey, United Kingdom of Great Britain and Northern Ireland, Venezuela, Zimbabwe.

Against: United States of America.

42. Draft decision IDB.11/L.32 was adopted by 46 votes to 1.

43. Mr. HULSE (United Kingdom) said his delegation had voted in favour because it supported increased UNIDO assistance to the Palestinian people, but had reservations because it was inappropriate to use wording of a political nature in a draft decision by a technical organization such as UNIDO.

44. Mr. TREMEAU (France) said that his delegation had supported the text because it was important to increase cooperation with the Palestinian people, but that political connotations should be avoided.

45. Mr. GUTIERREZ (Chile) said that his delegation supported the draft decision, but felt that it was inadvisable to take a political stance in a technical organization.

46. Mr. SARBU (Romania), Mr. KRAMER (Netherlands) and Mr. TALIANI (Italy) supported the comments made by the previous speakers.

47. Mr. AWEIDAH (Observer for Palestine) thanked the delegations that had voted in favour of the draft decision and expressed the appreciation of his people for the support they received in developing their country, in the hope that peace could be achieved in the region in the near future. His delegation would like to avoid political conflict and was always ready to help UNIDO in its work.

48. The PRESIDENT said that under sub-item (h), "Technical assistance to the South African national liberation movements recognized by the Organization of African Unity", she was submitting for consideration a draft decision contained in document IDB.11/L.8.

49. The draft decision was adopted.

50. Mr. MARTIN (United States of America) said that his delegation had not wished to block consensus on the issue, but wished to dissociate itself from the reference to certain liberation movements whose activities were not conducive to peace.

51. The PRESIDENT drew attention to the draft decision on sub-item (i), "Economic and technical cooperation among developing countries" (IDB.11/L.9).

52. The draft decision was adopted.

53. The PRESIDENT drew attention to the draft decision on sub-item (j), "Integration of women in industrial development" (IDB.11/L.22).

54. The draft decision was adopted.

55. The PRESIDENT drew attention to the draft decision on sub-item (k), "UNIDO environment programme, including follow-up to the United Nations Conference on Environment and Development" (IDB.11/L.14).

56. The draft decision was adopted.

57. The PRESIDENT drew attention to the draft decision on sub-item (l), "System of Consultations" (IDB.11/L.6).

58. The draft decision was adopted.

59. The PRESIDENT drew attention to the draft decision on sub-item (m), "Development and transfer of technology" (IDB.11/L.12).

60. The draft decision was adopted.

61. The PRESIDENT drew attention to the draft decision on sub-item (n), "Industrial investment promotion" (IDB.11/L.16).

62. Mr. HELLER (Mexico) said that his delegation joined the consensus on the mobilization of funds for industrial investment programmes for countries with economies in transition, but wished to recall that the primary objective of UNIDO was industrial development in developing countries, particularly the least developed countries. It was important that funds should not be diverted from that purpose, and he referred the Board in that connection to the United Nations General Assembly's Declaration on International Economic Cooperation (resolution S-18/3). He also wished to remind the Board of the decision that it had adopted earlier on the industrialization of the least developed countries in the 1990s, (IDB.11/L.23).

63. Draft decision IDB.11/L.16 was adopted.

64. The PRESIDENT drew attention to the draft decision on sub-item (o), "Evaluation of UNIDO programmes and activities" (IDB.11/L.5).

65. The draft decision was adopted.

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE:

(a) SCALE OF ASSESSMENTS (continued)

66. The PRESIDENT reminded the Board that the Programme and Budget Committee, in its conclusion 93/5 (IDB.11/15, para. 18), had proposed that the Board recommend to the General Conference the establishment of a scale of assessments for the biennium 1994-1995 based on the scale most recently employed by the United Nations, to be adjusted to the membership of UNIDO.

67. The latest scale of assessments prepared by the Secretariat was contained in document IDB.11/5/Add.1.

68. Following informal consultations, she wished to submit for consideration the following draft decision:

"The Industrial Development Board:

"(a) Takes note of conclusion 93/5 of the Programme and Budget Committee and documents IDB.11/5 and Add.1 on the scale of assessments for regular budget expenditures for 1994-1995;

"(b) Recommends to the General Conference for the fiscal period 1994-1995 the establishment of a scale of assessments for the regular budget expenditures of UNIDO based on the scale of assessments adopted by the United Nations General Assembly in decision 47/456, to be adjusted if necessary to reflect any amendments approved by the General Assembly at its forty-eighth session and further adjusted for differences in the membership between the United Nations and UNIDO by the application to the United Nations rates of assessment of a coefficient to be calculated by the UNIDO Secretariat;

"(c) Requests the Director-General to submit his document on the scale of assessments to the General Conference with the following footnote:

"'In accordance with General Conference resolution GC/S.1/Res.1 the Federal Republic of Yugoslavia (Serbia and Montenegro) cannot continue automatically the membership of the former Socialist Federal Republic of Yugoslavia in UNIDO. Subject to any amendment to the United Nations scale of assessments approved by the United Nations General Assembly at its forty-eighth session, this rate will apply to the Federal Republic of Yugoslavia (Serbia and Montenegro) should it apply for membership in UNIDO and be accepted.'"

69. The draft decision was adopted.

70. Mr. ZAITSEV (Russian Federation) said that his delegation had not objected to the adoption of the decision, but wished to reiterate its views expressed at the special session of the General Conference and at the current session of the Board and to reserve its position. The reservation related more precisely to the text relating to the Federal Republic of Yugoslavia (Serbia and Montenegro). The draft went beyond General Conference resolution GC/S.1/Res.1, and could be construed as meaning that the Federal Republic of Yugoslavia had been completely excluded from the Organization. If the text had been put to a vote, his delegation would have voted against it.

71. Mr. KOROLEV (Belarus) recalled what had been said by his delegation at the 4th meeting, particularly regarding the increase in the proposed assessment for Belarus. His delegation had not objected to the adoption of the decision

by consensus, but had serious reservations on paragraph (b). If the text had been put to a vote, his delegation would have voted against it.

72. Ms. CARRILLO (Cuba) said that her delegation welcomed the efforts made during the session to find solutions that would not weaken the Organization. Her delegation accepted the wording of paragraph (b), despite the economic situation in Cuba, and was aware of its international commitments. Her delegation associated itself with the consensus on the budget for 1994-1995 and the corresponding scale of assessments because it was very important to strengthen multilateral organizations like UNIDO. Cuba hoped, however, that the new management of UNIDO would adhere to the budgetary policy it had set out.

73. Mr. REINVART (Slovakia) said that his delegation's position was in line with that of the delegation of Belarus.

74. Mr. ARASTOU (Islamic Republic of Iran) said that his delegation had two reservations regarding item 6 (a). Firstly, it did not agree with the proposed increase in Iran's assessed contribution for the period 1994-1995. Secondly, although his delegation had not wished to break the consensus on the decision, it felt that the proposed footnote was problematic. In view of the General Conference resolution, the Federal Republic of Yugoslavia (Serbia and Montenegro) should not be mentioned and the reference to "Yugoslavia" in the relevant document should be deleted.

(b) INTERIM FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT (continued) (PBC.9/7 and Corr.1; IDB.11/10)

75. The PRESIDENT suggested that the Board should take note of the documentation submitted by the Secretariat on this subject.

76. It was so decided.

(c) PROGRAMME AND BUDGETS, 1994-1995 (continued) (IDB.11/L.21)

77. The PRESIDENT drew the Board's attention to draft decision IDB.11/L.21.

78. Mr. ARIAS-SALGADO (Spain) reiterated the reservation he had expressed at the 4th meeting. He would not oppose the consensus, but reserved the right to raise the issue of zero real growth again in the General Conference.

79. Mr. BLANCHET (Observer for Argentina) recalled that at the ninth session of the Programme and Budget Committee, he had expressed reservations concerning conclusion 93/4 (see document IDB.11/15, annex I), since he had had strict instructions not to accept an increase in contributions, in view of the tight fiscal control being exercised by his Government. He was pleased to inform the Board that, in view of the Director-General's measures to reform the Organization, his Government could now accept the level of contributions under the present decision. His Government regarded the draft decision as a vote of confidence in the Director-General and an encouragement to him to continue his efforts. He urged the developed countries, despite the recession, to provide more financial support in order to revitalize UNIDO.

80. Draft decision IDB.11/L.21 was adopted.

(d) INDUSTRIAL DEVELOPMENT FUND AND OTHER VOLUNTARY CONTRIBUTIONS (continued) (IDB.11/L.18)

81. Draft decision IDB.11/L.18 was adopted.

(e) WORKING CAPITAL FUND (continued) (IDB.11/L.17)

82. Draft decision IDB.11/L.17 was adopted.

(f) JOINT UNITED NATIONS/UNIDO CONFERENCE SERVICE (continued) (IDB.11/L.19)

83. Draft decision IDB.11/L.19 was adopted.

(g) APPOINTMENT OF EXTERNAL AUDITOR (continued) (IDB.11/22)

84. Mr. BAKSHI (India) said that, bearing in mind the need for unity, cooperation and consensus in UNIDO, his Government withdrew the candidature of the Comptroller and Auditor General of India to the post of External Auditor of UNIDO. Although the Comptroller and Auditor General of India was well qualified and his candidature had the support of the Group of 77, the President of the Federal Court of Audit of Germany was also well qualified. Relations between his country and Germany, including relations at the level of audit institutions, were excellent. He had been given to understand that India would have the opportunity to put forward its candidate for the next term of office. He expressed gratitude to his colleagues for their support.

85. Mr. SCHAAD (Germany) said that it was unusual for more than one candidate to be put forward for the post of External Auditor; although it was a privilege, the duties were onerous. He thanked the representative of India for making possible a pragmatic solution by withdrawing its candidate. Germany would certainly support a future candidature by India.

86. Mr. KELLAND (Observer for Denmark), speaking on behalf of the European Community and its member States, expressed gratitude to the Indian delegation for its decision. He suggested that the Board should adopt the following draft decision on the appointment of an External Auditor:

> "The Industrial Development Board recommends to the General Conference the appointment of Mr. H.G. Zavelberg, President of the Federal Court of Audit of Germany, as the External Auditor for UNIDO for a period of two years beginning on 1 July 1994, under the terms of reference specified in article XI (and annex) of the Financial Regulations of UNIDO. The travel and costs related to the work of the External Auditor are to be borne by the UNIDO regular budget."

87. The PRESIDENT thanked the representative of India for having permitted a consensus. If she heard no objection, she would take it that the Board wished to adopt the draft decision just read out.

88. It was so decided.

(i) UNIDO COUNTRY DIRECTOR PROGRAMME (continued) (IDB.11/L.28)

89. The PRESIDENT drew attention to draft decision IDB.11/L.28.

90. Mr. EL HUSSEIN (Sudan), supported by Mr. BADR (Observer for Yemen), said that he was gratified that a consensus had been reached and stressed the importance of the UNIDO Country Director (UCD) programme. He urged the Director-General to ensure that the number of UCDs was increased to 50, as urged in paragraph (d). He hoped that there was no truth in the rumour that the number of UCDs would be reduced and some offices closed, since that would be contrary to the decision. UCDs were very important in Africa, where they helped to make field programmes more efficient by monitoring and evaluating projects.

91. The draft decision was adopted.

(j) FINANCIAL SITUATION OF UNIDO (continued) (IDB.11/L.20)

92. The PRESIDENT drew attention to draft decision IDB.11/L.20.

93. Mr. ARIAS-SALGADO (Spain) reiterated the reservation he had made during the general debate on the temporary suspension of financial regulations 4.2(b) and 4.2(c). He would raise the matter again at the General Conference, in the light of the financial situation of the Organization at that time.

94. Mr. REINVART (Slovakia), referring to paragraph (g), said that his country had already paid its 1993 contribution on 13 June.

95. Mr. MARTIN (United States of America) said he did not wish to block consensus on the draft decision, but reiterated his disagreement with the repeated temporary suspension of financial regulations 4.2(b) and 4.2(c), which constituted unsound management practice.

96. Draft decision IDB.11/L.20 was adopted.

GUIDELINES FOR SPECIAL TRUST FUND PROJECTS (continued) (IDB.11/L.27)

. TALIANI (Italy) said that his delegation was not against the draft decision and would not propose any amendments, but wished to state its view that UNIDO must maintain appropriate flexibility in the approval and implementation of special trust fund projects.

98. Draft decision IDB.11/L.27 was adopted.

PERSONNEL MATTERS: (continued)

(a) UNIDO STAFF PENSION COMMITTEE FOR 1994-1995 (continued) (IDB.11/L.31)

99. The PRESIDENT drew attention to draft decision IDB.11/L.31. The document should be completed with the following data: the vacant post for the remainder of the year 1993 would be filled by Mr. Abdul Qawi Al-Eryani (Yemen); the second member for 1994-1995 would be Mr. Abdelkader Aziria (Algeria); the second alternate would be Mr. José Antonio García Torres (Peru).

100. The draft decision (IDB.11/L.31), as revised, was adopted.

(b) WOMEN IN THE SECRETARIAT (continued) (IDB.11/10, IDB.11/11)

101. The PRESIDENT said that there was no draft decision on sub-item (b), and proposed that the Board should take note of the progress reports on the subject.

102. It was so decided.

PARTICIPATION OF UNIDO IN INTERNATIONAL COOPERATION TO STUDY AND MITIGATE THE CONSEQUENCES OF THE CHERNOBYL ACCIDENT (continued) (IDB.11/L.15)

103. The PRESIDENT drew attention to draft decision IDB.11/L.15.

104. The draft decision was adopted.

PREPARATORY ARRANGEMENTS FOR THE FIFTH SESSION OF THE GENERAL CONFERENCE (continued) (IDB.11/L.29)

105. The PRESIDENT drew attention to draft decision IDB.11/L.29.

106. Viscount VILAIN (Belgium), speaking as chairman of the informal consultations, said that the adoption of the provisional agenda for the fifth session of the General Conference (paragraph (a) of the draft decision) should be without prejudice to any additional items or amendments that might be decided upon at the resumed session of the Board prior to the fifth session of the General Conference.

107. Mr. RIOBO (Chile) suggested that that proviso might be appended to the text of the provisional agenda circulated to Member States attending the General Conference.

108. The PRESIDENT said that due note had been taken of the statement made by the chairman of the informal consultations.

109. The draft decision was adopted.

DATE OF THE TWELFTH SESSION

110. The PRESIDENT said that, if she heard no objection, she would take it as proposed that the twelfth session of the Board should be held from 9 to 13 May 1994.

111. It was so decided.

112. The PRESIDENT recalled that, in accordance with decision IDB.5/Dec.46, the provisional agendas for the regular sessions should be drawn up in biennial groups by a special brief session of the Board following the General Conference. The Board might therefore wish to decide to hold its sixth special session immediately after the fifth session of the General Conference for half a day only for the purpose of adopting the provisional agenda of the twelfth session and the tentative provisional agendas of the thirteenth and fourteenth sessions.

113. It was so decided.

ADOPTION OF THE REPORT OF THE ELEVENTH SESSION (IDB.11/L.30)

114. Mr. TCHOULKOV (Russian Federation), Rapporteur, introducing the draft report of the Board on its eleventh session (IDB.11/L.30), said that it had been prepared in consultation with all the geographical groups and followed the same format as the reports of all previous sessions of the Board since UNIDO had become a specialized agency. Of necessity, it still contained many blanks and might have to be partly restructured

owing to the complexity of the session's deliberations. He therefore proposed that the Board should adopt it on the understanding that he would finalize it after the suspension of the session in close consultation with the "Friends of the Rapporteur".

115. It was so decided.

STATEMENT BY THE DIRECTOR-GENERAL

116. Mr. DE MARIA Y CAMPOS (Director-General) said that the confidence and support of Member States and their new commitment to exploring UNIDO's strengths boded well for the Organization at a time when its raison d'être and indeed its future had been in question.

117. In the light of the decisions taken, and subject to decisions to be taken at the resumed session of the Board, he intended to submit details of his revised proposals, together with their financial implications, to the General Conference at its fifth session, thus enabling it to take decisions on the programme and budgets for 1994-1995 on the basis of the present Board decision and the restructuring proposals to be submitted. A definitive programme and budget document for 1994-1995 reflecting the decisions of the General Conference would be presented to the Programme and Budget Committee at its tenth session in the spring of 1994. The Secretariat would now be working on the priorities and the new structure of the organization with which to implement the 1994-1995 budget, building on the advice given by the Board in connection with agenda item 11 ("Organizational and staff structure of UNIDO"). Consolidated proposals would be received by Board members in September so that, at the resumed session in October, appropriate recommendations could be made to the General Conference. He looked forward to a substantive discussion of the six basic objectives, the findings on the demand for UNIDO services and other restructuring issues, the current and future capabilities of the Organization, the comparative advantage at programme level, the critical mass of staff and the financial and other resources needed. The Secretariat would be submitting for the Board's consideration a proposed organizational structure capable of delivering efficiently the substantive services required and ensuring the availability of the necessary professional disciplines.

118. The world still needed an agreed vision of industrial development in the second half of the 1990s and beyond, and of UNIDO's role. Agreeing on that vision was the real task of the coming General Conference session. As he had said at the 1st meeting, a Yaoundé Declaration should serve as a platform for future actions and for mobilizing ideas and resources. In addressing the issues of UNIDO's priorities and structure, imagination, political will and intellectual effort must be combined in order to understand the differences in the development tasks of the 1990s and their implications for the Organization.

119. A new driving force to which development instruments could be harnessed was needed. The Board had decided that an informal contact group should be organized by permanent missions in Vienna, under the guidance of the Bureau, for the preparation of the fifth session of the General Conference, and the Secretariat would arrange for further opportunities to exchange views on the substantive content of the suggested Declaration with Governments in all the regions and with the permanent missions, with the aim of seeking a convergence of views regarding the future. Without wishing to anticipate those consultations, he believed that the time had come to complement the quantitative concepts of the Lima Declaration with qualitative targets for industrial development and its links with socio-economic progress and growth. He hoped that, in retrospect, Yaoundé would be seen as marking the renewed commitment of the international community to industrial development and the role of UNIDO in that cause. The changes that lay ahead would have to take account of changes in the social and economic work of the United Nations system as a whole, and of the need for a more decentralized approach and a stronger field representation system. It would be rewarding if UNIDO could be the agency that had charted a new and dynamic course for the United Nations economic development system. Through combined efforts, UNIDO could show all those seeking reform of the United Nations system how an international institution could transform itself in response to the rapidly changing international economic environment of the 1990s.

120. Before closing, he would like to add a word of thanks to the staff of UNIDO, especially to those whose untiring efforts had ensured the proper flow of documents and information for the meetings. At the same time, he was sure that Member States would appreciate the close interest taken by all the staff in the proceedings; that had been evident in the staff statement in document IDB.11/30. The UNIDO management did not fully share the interpretation of events given in that document, but it did understand the staff's concern both for the Organization and regarding the practical effects for the staff of any measures to be taken.

121. The changes in the 1994-1995 budget had necessitated reallocation of resources in both the regular and the operational budgets. To adjust to the realities of reduced operational and regular budgets, a reduction of staff had been unavoidable. He had taken care to see that such measures were planned and executed in consultation with staff representatives, and the latter had made a constructive contribution. He would continue to ensure fairness and transparency in matching the reasonable expectations of staff with the needs of the Organization, but responsibility on the part of the staff would also be needed if the Organization was to survive and emerge stronger. He wished to assure Member States and the staff of his concern for the well-being of staff affected by economy measures, and their families. UNIDO would make every effort to mitigate any negative consequences for them. Eventually, UNIDO should emerge a healthier, more resilient organization with good career prospects for its employees, financially stable and in a position to cope with the tasks ahead. He would work to maintain the understanding and support of Member States.

122. He wished to take the opportunity to inform the Board that the Executive Committee of the Montreal Fund had just approved a package of environmental projects for UNIDO execution worth 2.5 million dollars. He had also just learnt that the balance of the payment agreed on by Cameroon for the organization of the Yaoundé General Conference session had arrived.

123. He expressed his thanks for the work done by the President of the Board, by Viscount G. Vilain XIIII of Belgium, by the Rapporteur and by all the members of the Bureau, and to express appreciation to all delegations for their support. He and the staff would be working hard during the coming months to produce a good, imaginative proposal for the resumed session.

SUSPENSION OF THE ELEVENTH SESSION

124. The PRESIDENT said that, in adopting draft decisions IDB.11/L.26 and IDB.11/L.29, the Board had decided to resume its session on 28 and 29 October 1993 to consider the proposals of the Director-General on the future policy framework and organization and staff structure of UNIDO, and to consider recommending themes on which the General Conference could focus its general debate at the coming session. She was sure that, before the end of the General Conference session, it would be possible, through a process of dialogue, to arrive at the necessary decisions to shape a new UNIDO, adapted to the challenges of the present day.

125. After the customary exchange of courtesies, she declared the session suspended.

The meeting rose at 6.20 p.m.